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# NEW LEFT REVIEW

Peter Gowan *Crisis on Wall Street*

Francis Mulhern *The Idea of Culture*

Luciana Castellina *European?*

Fredric Jameson *Sandblasting Marx*

Peter Campbell *War Photography*

Ronald Fraser *Mythical Spain*

Amit Chaudhuri *The Cosmopolitans*

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*The Auction of Latin America*

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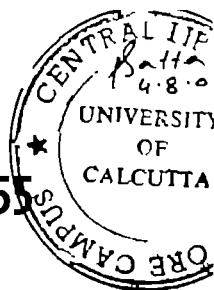
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# NEW LEFT REVIEW 55

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## PROGRAMME NOTES

PETER GOWAN: Crisis in the Heartland

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Against mainstream accounts, Peter Gowan argues that the origins of the global financial crisis lie in the dynamics of the New Wall Street System that has emerged since the 1980s. Contours of the Atlantic model, and implications—geopolitical, ideological, economic—of its blow-out.

FRANCIS MULHERN: *On Culture and Society*

The idea of culture in Raymond Williams's classic work, and discrepant readings of it, fifty years on. Gestation amid CP debates on the English tradition, hidden affinities with the Frankfurt School, and counterposition to the verities of today's liberal multiculturalism.

LUCIANA CASTELLINA: European?

A former MEP discusses the actual workings of the Euorparliament, and the realities of 'European construction' in the realm of culture. What have been the outcomes of efforts to build a continental political identity?

PETER CAMPBELL: Lens of War

Reviewing the Brighton Photo Biennial, Peter Campbell writes on the aesthetics, ethics and technology of war photography: images as evidence, cameras as combatants, from the Crimean War to Abu Ghraib.

MONIQUE SELIM: Notes from Tashkent

The life-world of social scientists in Uzbekistan, seen through an ethnographic prism. Monique Selim traces the material and intellectual struggles of post-Soviet scholars, and the instrumentalization of ethnicized knowledge by the Karimov regime.



### AMIT CHAUDHURI: Cosmopolitanism's Alien Face

The interweaving of literary affinities and cross-cultural influences, occluded by postcolonialist discourse, that characterized a vanished cosmopolitan modernism. Amit Chaudhuri explores paradoxes of belonging and defamiliarization in Bloomsbury and Bombay.

### CARLOS MEDEIROS: Asset-Stripping the State

Within the global wave of privatizations, those enacted in Latin America stand out for their breathtaking speed and scale. Medeiros contends that the principal motivation was not economic but political, driven by new capitalist coalitions emerging from the 1980s debt crisis.

## BOOK REVIEWS

FREDRIC JAMESON on Christoph Henning, *Philosophie nach Marx*. Austerities of a German rejection of social philosophy, in the name of the Moor.

DAVID WOODRUFF on Anders Åslund, *How Capitalism Was Built*. A vocal advocate of shock therapy casts a blinkered eye over its results in the former Eastern Bloc.

RONALD FRASER on Henry Kamen, *Imagining Spain*. Excavation of the historical myths that have shaped peninsular self-perceptions.

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PETER GOWAN

*Editorial*

CRISIS IN THE HEARTLAND

*Consequences of the New Wall Street System*

THE LONG CREDIT crunch that began in the Atlantic world in August 2007 is strange in its extraordinary scope and intensity. Mainstream discourse, referring to a 'sub-prime' crisis, implies that the credit crunch has been caused, rather than triggered, by a bubble in the real economy. This is at best naive: after all, the bursting of an equally large bubble in the Spanish housing market led to no such blow-out in the domestic banking system.<sup>1</sup> The notion that falling house prices could shut down half of all lending in the US economy within a matter of months—and not just mortgages, but car loans, credit-card receivables, commercial paper, commercial property and corporate debt—makes no sense. In quantitative terms this amounted to a credit shrinkage of about \$24 trillion dollars, nearly double US GDP.<sup>2</sup> Erstwhile lenders were soon running not just from sub-prime securities but from the supposedly safest debt of all, the 'super senior' category, whose price by the end of 2007 was a tenth of what it had been just a year before.<sup>3</sup>

An understanding of the credit crunch requires us to transcend the commonsense idea that changes in the so-called real economy drive outcomes in a supposed financial superstructure. Making this 'epistemological break' is not easy. One reason why so few economists saw a crisis coming, or failed to grasp its scale even after it had hit, was that their models had assumed both that financial systems 'work', in the sense of efficiently aiding the operations of the real economy, and that financial trends themselves are of secondary significance.<sup>4</sup> Thus the assumption

that the massive bubble in oil prices between the autumn of 2007 and the summer of 2008 was caused by supply-and-demand factors, rather than by financial operators who, reeling from the onset of the crisis, blew the price from \$70 a barrel to over \$140 in less than a year, before letting the bubble burst last June; a cycle with hugely negative 'real economy' effects. Similar explanations were tendered for soaring commodity prices over the same period; yet these were largely caused by institutional investors, money-market and pension funds, fleeing from lending to the Wall Street banks, who poured hundreds of billions of dollars into commodities indices, while hedge funds with their backs against the wall pumped up bubbles in coffee and cocoa.<sup>5</sup>

Breaking with the orthodoxy that it was 'real economy' actors that caused the crisis carries a political price: it means that blame can no longer be pinned on mortgage borrowers for the credit crunch, on the Chinese for the commodities bubble, or on restrictive Arab producers for the sudden soaring of oil. Yet it may allow us to understand otherwise inexplicable features of the crisis; not least, as we shall see, the extraordinary growth of sub-prime itself. We will thus take as our starting point the need to explore the structural transformation of the American financial system over the past twenty-five years. I will argue that a New Wall Street System has emerged in the US during this period, producing new actors, new practices and new dynamics. The resulting financial structure-cum-agents has been the driving force behind the present crisis. En route,

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<sup>1</sup> Leslie Crawford and Gillian Tett, 'Spain spared because it learnt lesson the hard way', *Financial Times*, 5 February 2008.

<sup>2</sup> The total debt owed by financial and non-financial private sectors in the US in 2008 has been calculated at \$48 trillion. George Magnus, 'Important to curb destructive power of deleveraging', *FT*, 30 September 2008.

<sup>3</sup> David Patterson, 'Central Banks must find or become buyers of system risk', *FT*, 5 February 2008.

<sup>4</sup> For a useful survey of why most economists were completely incapable of grasping the crisis, see Chris Giles, 'The Vision Thing', *FT*, 26 November 2008.

<sup>5</sup> Javier Blas, 'Commodities have proved a saving grace for investors', *FT*, 6 March 2008; Chris Flood, 'Speculators give a stir to coffee and cocoa prices' *FT*, 5 February 2008. That these financial operators were able to build and burst such bubbles derived, of course, from the fact that the markets for oil and commodities are organized in London, New York and Chicago, with rules made to match the interests of American and British capital. As Jeff Sprecher, CEO of Intercontinental Exchange (ICE), the London-based market whose rules enabled blowing the oil bubble, explained to the *Financial Times*, the market's organizers could not understand why members of Congress should want to give up control over this sector by closing ICE down. 'View from the Top', *FT*, 6 August 2008.

it proved spectacularly successful for the richest groups in the US: the financial sector constituted by far the most profitable component of the American and British economies and their most important 'export' earner. In 2006, no less than 40 per cent of American corporate profits accrued to the financial sector.<sup>6</sup> But the new structure necessarily produced the dynamics that led towards blow-out.

This analysis is not offered as a mono-causal explanation of the crisis. A fundamental condition, creating the soil in which the New Wall Street System could grow and flourish, was the project of the 'fiat' dollar system, the privatization of exchange-rate risk and the sweeping away of exchange controls—all euphemized as 'financial globalization'. Furthermore, the system could not have risen and flourished if it had not offered answers—however ultimately pathological—to a range of deep-seated problems within American capitalism overall. There is thus a rational, dialectical kernel in the superficial distinction between financial superstructure and the 'real' US economy. In what follows, I will first sketch the main elements of the New Wall Street System, and briefly show how its crisis took such spectacular forms. I will then argue that, to understand the deeper roots of the malaise, we do indeed need to probe into the overall socio-economic and socio-political characteristics of American capitalism as it has evolved over the past twenty-five years. I will raise the possibility of systemic alternatives, including that of a public-utility credit and banking model. Finally, I will consider the international dynamics unleashed by the present crisis and their implications for what I have elsewhere described as the Dollar–Wall Street Regime.<sup>7</sup>

## I. THE NEW WALL STREET SYSTEM

The structure and dynamics of Wall Street banking changed dramatically in the quarter of a century after the mid-1980s. The main features of the new system include: (i) the rise of the lender-trader model; (ii) speculative arbitrage and asset-price bubble-blowing; (iii) the drive for maximizing

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<sup>6</sup> Lawrence Summers, 'The pendulum swings towards regulation', FT, 27 October 2008. The figure of 40 per cent actually understates the share of profits accruing to the financial sector, since these are in part concealed by being transformed into huge employee bonuses, to reduce headline profits data; one reason for the bonus system that is often overlooked.

<sup>7</sup> For an earlier exploration of these issues see my *Global Gamble*, New York and London 1999.

leverage and balance-sheet expansion; (iv) the rise of the shadow banking system, with its London arm, and associated 'financial innovations'; (v) the salience of the money markets and their transformation into funders of speculative trading in asset bubbles; (vi) the new centrality of credit derivatives. These changes mutually re-enforced each other, forming an integrated and complex whole, which then disintegrated in the course of 2008. We will briefly examine each of them in turn.

### *Trading models*

For most of the post-war period, Wall Street investment banks engaged in very little securities trading on their own account, as opposed to trading on behalf of clients; while the big depository commercial banks shunned such activity. But from the mid-1980s on, proprietary trading in financial and other assets became an increasingly central activity for the investment banks, and for many commercial banks, too. This turn was connected, firstly, to the new volatility in foreign-exchange markets after the dismantling of Bretton Woods; and then to the opportunities created by domestic financial liberalization, above all the scrapping of capital controls and the opening of other national financial systems to American operators. These changes offered opportunities for a massive expansion of Wall Street trading activity, which would become a crucial source of profits for the investment banks.<sup>8</sup> The turn towards speculative proprietary trading was pioneered by Salomon Brothers, whose Arbitrage Group was established in 1977 and acquired extraordinary profitability under John Meriwether during the 1980s.<sup>9</sup>

As well as trading on their own account, the Wall Street banks became increasingly involved in lending funds for other bodies to use in their trading activities: hedge funds, so-called private equity groups (trading in

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<sup>8</sup> The bread-and-butter of Wall Street investment bank income had been fixed (cartelized) fees for trading securities on behalf of clients until 1975, when a change in the law limited such fees. At the start of the 1980s, this fee income was still greater for the investment banks than profits from trading on their own account. But from the mid-1980s, these banks plunged seriously into proprietary trading. By the end of the 1990s, trading income was a third bigger than income from commissions for trading on behalf of others. And some of the biggest banks earned over half their profits from such trading. See John Gapper, 'The last gasp of the broker-dealer', *FT*, 16 September 2008.

<sup>9</sup> On Salomon Brothers and the subsequent career of John Meriwether's team in the 1990s, when they constructed LTCM under the sponsorship of Merrill Lynch, see Roger Lowenstein, *When Genius Failed*, London 2001.

companies), or special investment vehicles (SIVs) and conduits, created by the investment banks themselves.<sup>10</sup> Such lending, known in the jargon as prime brokerage, was also an extremely profitable activity for the Wall Street banks: for many, their single greatest earner.<sup>11</sup> This turn to the lender-trader model did not mean that the investment banks ceased their traditional activities in investment banking, broking, fund management, etc. But these activities acquired a new significance in that they provided the banks with vast amounts of real-time market information of great value for their trading activity.<sup>12</sup>

Trading activity here does not mean long-term investment, Warren Buffett-style, in this or that security, but buying and selling financial and real assets to exploit—not least by *generating*—price differences and price shifts. This type of ‘speculative arbitrage’ became a central focus, not only for the investment banks but for commercial banks as well.<sup>13</sup> So, too, did the related effort to generate asset-price bubbles. Time and time again, Wall Street could enter a particular market, generate a price bubble within it, make big speculative profits, then withdraw, bursting the bubble. Such activity was very easy in so-called emerging market economies with small stock or bond markets. The Wall Street banks gained a wealth of experience in blowing such bubbles in the Polish, Czech or Russian stock markets in the 1990s and then bursting them to great profit. The dot.com bubble in the US then showed how the same operation could be carried through in the heartland without any significant loss to the Wall Street banks (as opposed to some European operators, notably insurance companies, eager to profit from the bubble but hit by the burst).

Both the Washington regulators and Wall Street evidently believed that together they could manage bursts.<sup>14</sup> This meant there was no need to prevent such bubbles from occurring: on the contrary it is patently obvious that both regulators and operators actively generated them, no

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<sup>10</sup> After the Enron scandal, SIVs and conduits were initially not allowed to engage in active trading on their own account, but this restriction was soon lifted.

<sup>11</sup> James Mackintosh, ‘Collapse of Lehman leaves prime broker model in question’, FT, 25 September 2008.

<sup>12</sup> Philip Augar gives a vivid account of how key such informational centralization from all the main markets was in giving the investment banks a decisive competitive edge over their smaller or non-investment banking rivals. See his *The Greed Merchants: How the Investment Banks Played the Free Market Game*, London 2006.

<sup>13</sup> See Nasser Saber, *Speculative Capital: The Invisible Hand of Global Finance*, London 1999.

<sup>14</sup> Alan Greenspan, ‘We will never have a perfect model of risk’, FT, 17 March 2008.

doubt believing that one of the ways of managing bursts was to blow another dynamic bubble in another sector: after dot.com, the housing bubble; after that, an energy-price or emerging-market bubble, etc. This may seem to imply a formidably centralized financial power operating at the heart of these markets. Indeed: the New Wall Street System was dominated by just five investment banks, holding over \$4 trillion of assets, and able to call upon or move literally trillions more dollars from the institutions behind them, such as the commercial banks, the money-market funds, pension funds, and so on. The system was a far cry from the decentralized market with thousands of players, all slavish price-takers, depicted by neo-classical economics. Indeed, the operational belief systems of what might be called the Greenspan-Rubin-Paulson milieu seems to have been post-Minskian. They understood Minsky's theory of bubbles and blow-outs, but believed that they could use it strategically for blowing bubbles, bursting them, and managing the fall-out by blowing some more.

### *Maximizing leverage*

The process of arbitrage and bubble-blowing requires more of financial operators than simply bringing together the maximum amount of information about conditions across all markets; it also demands the capacity to mobilize huge funds to throw into any particular arbitrage play, in order to shift market dynamics in the speculator's favour.

A striking feature of the New Wall Street System business model was its relentless drive to expand balance sheets, maximizing the asset and liabilities sides. The investment banks used their leverage ratio as the target to be achieved at all times rather than as an outer limit of risk to be reduced where possible by holding surplus capital. A recent New York Federal Reserve report demonstrates how this approach proved powerfully pro-cyclical in an asset-market bubble, driving the banks to expand their borrowing as asset prices rose.<sup>15</sup> In their illustration, the report's authors, Tobias Adrian and Hyun Song Shin, assume that the

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<sup>15</sup> Tobias Adrian and Hyun Song Shin, 'Liquidity and Leverage', Staff Report no. 328, Federal Reserve Bank of New York, May 2008. The term 'leverage' refers to the relationship between a bank's 'equity' or 'capital' and its assets—the sum that it has lent out. It is usually expressed as a ratio, so that if we say that Lehman's leverage at the time of its collapse was 25, this means that for every one dollar of capital the bank had 25 dollars of assets. But this figure of 25 also means that for every one dollar of capital, Lehman had 24 dollars worth of borrowings—i.e. liabilities.



bank actively manages its balance sheet to maintain a constant leverage ratio of 10. Suppose the initial balance sheet is as follows: the bank holds 100 worth of securities, and has funded this holding with an equity of 10, plus debt worth 90.

<i>Assets</i>		<i>Liabilities</i>	
Securities	100	Equity	10
		Debt	90

The bank's leverage ratio of security to equity is therefore  $\frac{100}{10} = 10$

Suppose the price of the securities then increases by 1 per cent, to 101. The proportions will then be: securities 101, equity 11, debt 90. So its leverage is now down to  $101/11 = 9.2$ . If the bank still targets leverage of 10, then it must take on additional debt ('d'), to purchase d worth of securities on the asset side, so that the ratio of assets/equity is:  $\frac{101+d}{11} = 10$ , i.e.  $d = 9$ .

The bank thus takes on additional debt worth 9, and with this money purchases securities worth 9. After the purchase, leverage is back up to 10. Thus, an increase in the price of the security of 1 leads to an increased holding worth 9: the demand curve is upward-sloping.

<i>Assets</i>		<i>Liabilities</i>	
Securities	110	Equity	11
		Debt	99

The mechanism works in reverse, too. Suppose there is shock to the securities price, so that the value of security holdings now falls to 109. On the liabilities side, it is equity that bears the burden of adjustment, since the value of debt stays approximately constant.

<i>Assets</i>		<i>Liabilities</i>	
Securities	109	Equity	10
		Debt	99

But with securities at 109, equity at 10, debt at 99, leverage is now too high:  $\frac{109}{10} = 10.9$ .

The bank can adjust down its leverage by selling securities worth 9, and paying down 9 worth of debt. Thus, a fall in the price of securities leads to sales of securities: the supply curve is downward-sloping.

A central mechanism through which the investment banks could respond to asset-price rises was borrowing in the 'repurchase agreement'—or 'repo'—market. Typically, the investment bank wishes to buy a security, but needs to borrow funds to do so. On the settlement day, the bank receives the security, and then uses it as collateral for the loan needed to pay for it. At the same time, it promises the lender that it will repurchase the security at a given future date. In that way, the bank will repay the loan and receive the security. But typically, the funds for repurchasing the security from the lender are acquired by selling the security to someone else. Thus, on the settlement day, the original lender to the investment bank is paid off and hands over the security, which is immediately passed on to the new buyer in exchange for cash. This kind of repo funding operation presupposes an asset-price boom. It has accounted for 43 per cent of leverage growth amongst Wall Street banks, according to the same New York Fed report. Repos have also been the largest form of debt on investment banks' balance sheets in 2007–08.<sup>16</sup>

The question arises as to why the Wall Street banks (followed by others) pushed their borrowing to the leverage limit in such a systematic way. One explanation is that they were doing this in line with the wishes of their shareholders (once they had turned themselves into limited liability companies). 'Shareholder value' capitalism allegedly requires the ratio of assets to capital to be maximized. Surplus capital reduces the return on shareholder equity and acts as a drag on earnings per share.<sup>17</sup> But there is also another possible explanation for borrowing to the leverage limit: the struggle for market share and for maximum pricing power in trading activities. If you are a speculative arbitrageur or an asset-bubble blower, financial operational scale is essential to moving markets, by shifting prices in the direction you want them to go. In assessing which of these

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<sup>16</sup> Adrian and Song Shin, 'Liquidity and Leverage'.

<sup>17</sup> The rewards of senior bank executives were often linked to changing earnings per share. See John Kay, 'Surplus capital is not for wimps after all', FT, 22 October 2008.

pressures—shareholder power or pricing power—drove the process, we should note how ready the Treasury, Fed and Wall Street executives have been to crush shareholder interests during the credit crunch, yet how resolutely they sought to protect the levels of leverage of the bulge-bracket banks during the bubble. By all accounts, Citigroup's turn to maximum balance-sheet and leverage expansion for trading activities derived not from shareholder pressure, but from the arrival there of Robert Rubin after his stint as US Treasury Secretary.<sup>18</sup>

### *Shadow banking*

The drive for scale and for increasing leverage leads on to another basic feature of the New Wall Street System: the drive to create and expand a shadow-banking sector. Its most obvious features were the new, entirely unregulated banks, above all the hedge funds. These have had no specific functional role—they have simply been trader-banks free of any regulatory control or transparency in their speculative arbitrage. Private equity groups have also been, in essence, shadow trading banks, specializing in the buying and selling of companies. Special Investment Vehicles (sivs) and conduits are similarly part of this system. In the words of the director of regulation at Spain's central bank, these sivs and conduits 'were like banks but without capital or supervision'. Yet, as a *Financial Times* report noted: 'In the past two decades, most regulators have encouraged banks to shift assets off their balance sheets into sivs and conduits.'<sup>19</sup>

The shadow banking system was not in competition with the regulated system: it was an outgrowth of it. The regulated commercial and investment banks acted as the prime brokers of the shadow banking operators, thereby gaining very large profits from their activities. This increasingly central feature of official bank activity was, in reality, a way of massively expanding their balance sheets and leverage. To tap the Wall Street banks for funding, the hedge funds had to hand over collateral; but through a practice known as rehypothecation, a proportion of these collateral assets could then be used by the prime broker as *its own* collateral for raising *its own funds*. The result was the self-financing of hugely profitable prime brokerage activities by the Wall Street banks, on a vast scale, without any extra commitment of their own capital: an ingenious way of greatly

<sup>18</sup> See, among others, 'Singing the blues', *Economist*, 27 November 2008.

<sup>19</sup> Leslie Crawford and Gillian Tett, 'Spain spared because it learnt lesson the hard way', *FT*, 5 February 2008.

enlarging their leverage ratios.<sup>20</sup> The debate about whether deregulation or reregulation in the financial sector has been occurring since the 1980s seems to miss the point that there has been a combination of a regulated and an unregulated shadow system, working dynamically together.

Shadow banking refers not only to institutional agents, like hedge funds, but also to the practices and products which allowed the investment banks to expand their leverage. Since the late 1990s an increasingly important part of this side of shadow banking has been the 'over-the-counter' credit derivatives market, notably collateralized debt obligations (CDOs) and credit default swaps (CDSs). The most obvious attraction of these lay in the regulatory arbitrage they offered, enabling banks to expand leverage.<sup>21</sup> Traditionally banks had to insure their credit operations and such insurance entailed supplying collateral. The beauty of CDSs lay in the fact that, as shadowy 'over-the-counter' products, they did not require the commitment of appropriate tranches of capital as collateral, and thus facilitated more leverage. CDS expansion began on a major scale after derivatives specialists from JP Morgan Chase persuaded AIG to start writing them on CDOs in 1998.<sup>22</sup>

CDOs were also a clever solution to leverage problems. By acquiring large quantities of securitized loans and thus greatly expanding their balance sheets, banks should have expanded their equity base. But CDOs famously bundled together dozens or hundreds of such loans, of very varied quality, enabling the banks to increase their leverage. The CDOs were typically written by the rating agencies, for a fee, and then given a Triple A rating by the same agency, for a second fee. Such ratings allowed the banks' equity commitments to be minimized. These securitized loans—mainly from the housing market, but also from credit-card debt and car loans—offered investors far higher rates of return than they could get in the money markets. The crucial point about these so-called 'structured securities' was not that they were securitized loans: these could in principle be perfectly safe; after all, a bond is, in reality, nothing but a securitized loan. But bonds have a clearly identifiable source, in

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<sup>20</sup> James Mackintosh, 'Collapse of Lehman leaves prime broker model in question', FT, 25 September 2008.

<sup>21</sup> Christina Bannier and Dennis Hansel, 'Determinants of European Banks' Engagement in Loan Securitization', Deutsche Bundesbank Discussion Paper Series 2: Banking and Financial Studies no. 10/2008.

<sup>22</sup> Gretchen Morgenson, 'Behind crisis at AIG, a fragile web of risks. Tiny London unit set decline in motion', *International Herald Tribune*, 29 September 2008.

an economic operator whose credit-worthiness and cash-flow capacities can be assessed; they also have clear prices in the secondary bond markets. The products bundled in CDOs, however, came from hundreds of thousands of unidentifiable sources, whose credit-worthiness and cash-flow capacity was not known; they were sold 'over the counter', without any secondary market to determine prices, far less an organized market to minimize counterparty risk. In short, they were at best extremely risky because more or less totally opaque to those who bought them. At worst they proved a scam, so that within a few months of late 2007 the supposedly super-safe super-senior debt tranches within such CDOs were being downgraded to junk status.

Leverage restrictions were also removed through public policy. Hank Paulson achieved a notable success in this area in 2004 when, as head of Goldman Sachs, he led the Wall Street campaign to get the Securities and Exchange Commission to agree to relax the so-called 'net capital rule', restricting leverage for large investment banks. Henceforth, firms were effectively allowed to decide their own leverage on the basis of their risk models. The result was a rapid rise in the big banks' leverage ratios.<sup>23</sup> Importantly it enabled them to transfer their capital base to new activities, such as collateralized debt obligations, which subsequently became such a significant element in their trading activities.

### *London's role*

All these shifts are grouped under the euphemistic heading of 'financial innovation'—changes in institutional arrangements, products, oversight structures, enabling Wall Street banks to escape regulatory restrictions and expand their activities and profits. Dozens of shifts of this sort could be documented. But one of the most fundamental was the construction of a large, new shadow banking system in London, alongside the 'official' regulated sector. By the early 1990s the American investment banks had wiped out their London counterparts and dominated the Square Mile's asset markets, with the City acquiring an increasingly 'wimbledonized'

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<sup>23</sup> Stephen Labaton, 'How SEC opened path for storm in 55 minutes', *International Herald Tribune*, 4/5 October 2008. In a classic manoeuvre, this was dressed up as a turn by the SEC towards more regulation of the investment banks. From a formal point of view this was right: the SEC acquired regulatory jurisdiction over them; but it simultaneously removed basic capital-base restrictions. Furthermore, from 2004 onwards the SEC had seven staff to supervise the big five investment banks, which had combined assets of over \$4 trillion by 2007.

role within the New Wall Street System.<sup>24</sup> Gordon Brown institutionalized the new relationship in 1997 by creating the unified Financial Services Authority, which claimed to operate according to 'principles' rather than binding rules: one central principle was that the Wall Street banks could regulate themselves. London thus became for New York something akin to what Guantánamo Bay would become for Washington: the place where you could do abroad what you could not do back home; in this instance, a location for regulatory arbitrage.

The term 'Wall Street' should therefore be understood to include London, as a satellite for these American operators.<sup>25</sup> Together London and New York dominate the issue of new shares and bonds. They are the centre of the foreign-exchange markets. Most significantly they have dominated the sale of over-the-counter derivatives, which make up the overwhelming bulk of derivatives sales.<sup>26</sup> In 2007, the UK had a global share of 42.5 per cent of derivatives based on interest rates and currencies, with the US handling 24 per cent. In terms of credit-derivatives trading, the US handled 40 per cent in 2006, while London handled 37 per cent (down from 51 per cent in 2002).

### *Funding speculation*

The enormous expansion in the activities of the Wall Street banks and their shadow system required ever-larger amounts of funding. Such funding was classically supplied by the recycling of retail savings sitting in deposit accounts and, even more importantly, by the commercial banks creating large supplies of credit money. But in post-1980s America such retail savings were minuscule—a point to which we will return—and credit money from the commercial banks, though significant, was soon hopelessly inadequate. In these circumstances the trader banks turned to the wholesale money markets. At the heart of such markets were the inter-bank markets, with interest rates on, or just a few basis points above, the Fed's policy rates. Historically these markets

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<sup>24</sup> The annual tennis tournament in Wimbledon is widely considered, at least in the UK, to be the greatest in the world; yet for decades there has been no British finalist.

<sup>25</sup> There are some very large British commercial banks, but these should be distinguished from the City of London because, while some have participated heavily in the New Wall Street System, others such as the Hongkong and Shanghai Banking Corporation (HSBC), by some measures the largest bank in the world, and the Standard Chartered Bank, have been heavily focused on activities in East Asia.

<sup>26</sup> The Chicago Mercantile Exchange, however, dominates sales of exchange-traded derivatives.

were used to ensure that the banks were able to clear smoothly on a daily basis, rather than as a source of new, large-scale funding, let alone funding of a speculative nature. There was also the commercial-paper market, typically used by the big corporations for short-term funding, again principally to smooth their operations.

But in the New Wall Street System, these money markets were transformed. They remained centres of short-term lending, but they were increasingly funding speculative trading activity. On the supply side, the funds available for lending to Wall Street were expanding rapidly, especially through the expansion of pension funds during the 1980s and 1990s. In rather typical American style, a small change in the tax code through amendment 401K in 1980 opened the door to this development. This amendment gave a tax break to employees and employers if they put money into pension plans; the result was a massive flow of employee income into these plans, totalling nearly \$400 billion by the end of the 1980s. By the late 1990s it had climbed to almost \$2 trillion.<sup>27</sup>

At the same time as becoming key sources for the liabilities of the investment banks through short-term lending to them, the mutual funds, pension funds and so forth also became increasingly important targets for Wall Street's efforts to sell asset-backed securities, and in particular collateralized debt obligations. Thus the New Wall Street System attempted to draw the fund managers into speculative bubble activity on both the funding (liability) side and on the asset side, enabling ever-larger balance-sheet expansion.

## II. THE CAUSES OF THE CRISIS

It might, in principle, have been the case that the cluster of mutually reinforcing innovations which we have called the New Wall Street System,

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<sup>27</sup> Roger Lowenstein, *Origins of the Crash*, New York 2004, pp. 24–5. This expansion of bank funding for speculative trading through the transformation of the 'wholesale' markets intersected, of course, with the ending of capital controls, enabling the growth of international wholesale borrowing by banks and the rise of 'carry trade' operations, such as that based on the yen: banks borrowing in yen, at 0.5 per cent or less, and taking the funds into the Icelandic krona, at 18 per cent. The funding of British commercial banks, overwhelmingly domestic at the start of the 1990s, had become largely based on overseas wholesale lending, to the tune of about £650bn, by 2007.

were *responses* to the emergence of a housing-market bubble in the US from 2001. If so, we would have had a classic Minskian crisis linked to housing. In fact, all the key innovations were set in place before the onset of the bubble. Indeed there is ample evidence that the Wall Street banks quite deliberately planned a house-price bubble, and spent billions of dollars on advertising campaigns to persuade Americans to increase their mortgage-related debt. Citigroup ran a billion-dollar campaign with the theme 'Live Richly' in the 1990s, designed to get home owners to take out second mortgages to spend on whatever they liked. Other Wall Street banks acted in a similar fashion, with a great deal of success: debt in second mortgages climbed to over \$1 trillion in a decade.

But the bubble that generated the credit crunch of 2007 lay not only—or even mainly—in the housing market, but in the financial system itself. The crisis was triggered not only by the scale of the debt bubble, but by its forms. In a normal over-lending crisis, when banks have ended up with non-performing loans (as in Japan in the 1990s), both the location and scale of the problems can be identified without much difficulty. But in 2007 the debt bubble within the financial system was concentrated in over-the-counter derivatives, in the form of individual CDOs that had no market price or pricing mechanism—beyond the say-so of the ratings agencies—and which were distributed in their tens of thousands between the institutions at the summit of the financial system, as well as their satellite bodies such as STVs. Once this set of debt-accumulation arrangements was shown to be junk, in the two Paribas cases in August 2007, the suppliers of credit funding, such as money-market and pension funds, grasped that they had no way of knowing how much of the rest of the CDO mountain was also worthless. So they fled. Their refusal to keep supplying the handful of opaque Wall Street investment banks and their spin-offs with the necessary funds to keep the CDO market afloat was what produced the credit crunch.

The investment banks had initially spread the word that the effect of their securitization of debt had been to disperse risk widely across a multitude of bodies. But this seems to have been false: the Wall Street summit institutions themselves had been holding on to the so-called super-senior debt tranches, in tens of thousands of CDOs.<sup>28</sup> They had been borrowing billions in the money markets to buy these instruments, gaining an interest rate on them some 10 basis points above their

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<sup>28</sup> Gillian Tett, 'Misplaced bets on the carry trade', FT, 17 April 2008.



money-market borrowing costs. To continue to turn that profit they had to keep going back to the money markets to roll over their debts. Yet now the money markets were shutting down.<sup>29</sup> When investors in the money markets fled the recycling of short-term borrowing in the summer of 2007, the entire pyramid centred on the CDOs began to crumble. When the Wall Street banks tried to off-load their CDOs, they found there was no market for them. The insurance companies that had insured the CDOs with CDSs found their market collapsing, too.

Much remains obscure about the precise mechanisms through which the credit crunch acquired its scope and depth in 2007–08, mainly because the main Wall Street operators themselves sought to obfuscate both the nature of their plight and their survival tactics. But it is possible to trace a number of phases through which the crisis has passed. First, the attempt by the Fed and Treasury to defend the investment-bank model as the summit of the system, by acting as its lender of last resort. Second, with the fall of Lehman Brothers, the collapse of this effort and disappearance of the investment-bank model, producing a drive to consolidate a universal-bank model in which the trading activities of the investment banks would occur within, and protected by, the depository universal bank. In this phase, the Fed essentially substituted itself for the creditor institutions of the credit system, supplying loans, ‘money-market’ and ‘commercial-paper market’ funding for the banks. Between April and October 2008 this massive Central Bank funding operation involved about \$5 trillion of credit from the Fed, the ECB and the Bank of England—equivalent to about 14 per cent of global GDP. Insofar as this state funding can continue without raising serious sovereign credit-worthiness problems, the most difficult and dangerous phase of the response to the crisis can get under way in a serious fashion. This will involve the deleveraging of the biggest banks, now in the context of negative feedback loops from deepening recessions. How and when this is achieved will give us a sense of the overall contours of the credit crunch.

### *Prevailing theories*

Much of the mainstream debate on the causes of the crisis takes the form of an ‘accidents’ theory, explaining the débâcle as the result of contingent

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<sup>29</sup> For a useful mainstream (and apologetic) account of the risks involved in CDOs and over-the-counter derivatives like CDSs, see the IMF publication by Garry Schinasi, *Safeguarding Financial Stability Theory and Practice*, Washington, DC 2006.

actions by, say, Greenspan's Federal Reserve, the banks, the regulators or the rating agencies. We have argued against this, proposing rather that a relatively coherent structure which we have called the New Wall Street System should be understood as having generated the crisis. But in addition to the argument above, we should note another striking feature of the last twenty years: the extraordinary harmony between Wall Street operators and Washington regulators. Typically in American history there have been phases of great tension, not only between Wall Street and Congress but also between Wall Street and the executive branch. This was true, for example, in much of the 1970s and early 1980s. Yet there has been a clear convergence over the last quarter of a century, the sign of a rather well-integrated project.<sup>30</sup>

An alternative explanation, much favoured in social-democratic circles, argues that both Wall Street and Washington were gripped by a false 'neo-liberal' or 'free-market' ideology, which led them astray. An ingenious right-wing twist on this suggests that the problematic ideology was 'laissez-faire'—that is, no regulation—while what is needed is 'free-market thinking', which implies some regulation. The consequence of either version is usually a rather rudderless discussion of 'how much' and 'what kind' of regulation would set matters straight.<sup>31</sup> The problem with this explanation is that, while the New Wall Street System was *legitimated* by free-market, laissez-faire or neo-liberal outlooks, these do not seem to have been *operative* ideologies for its practitioners, whether in Wall Street or in Washington. Philip Augar's detailed study of the Wall Street investment banks, *The Greed Merchants*, cited above, argues that they have actually operated in large part as a conscious cartel—the opposite of a free market. It is evident that neither Greenspan nor the bank chiefs believed in the serious version of this creed: neo-classical financial economics. Greenspan has not argued that financial markets are efficient or transparent; he has fully accepted that they can tend towards bubbles and blow-outs. He and his colleagues have been well aware of the risk of serious financial crisis, in which the American state would have to throw huge amounts of tax-payers' money into saving the system. They also grasped that all the various risk models used by the Wall

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<sup>30</sup> There were tensions between Wall Street and New York state regulator Eliot Spitzer after the dot.com bubble burst, but this simply highlighted how strong was the consensus at a higher level.

<sup>31</sup> References to these kinds of debates can be found in Andrew Baker et al., *Governing Financial Globalization*, London 2005.

Street banks were flawed, and were bound to be, since they presupposed a general context of financial market stability, within which one bank, in one market sector, might face a sudden threat; their solutions were in essence about diversification of risk across markets. The models therefore assumed away the systemic threat that Greenspan and others were well aware of: namely, a sudden negative turn across all markets.<sup>22</sup>

Greenspan's two main claims were rather different. The first was that, between blow-outs, the best way for the financial sector to make large amounts of money is to sweep away restrictions on what private actors get up to; a heavily regulated sector will make far less. This claim is surely true. His second claim has been that, when bubbles burst and blow-outs occur, the banks, strongly aided by the actions of the state authorities, can cope with the consequences. As William White of the BIS has pointed out, this was also an article of faith for Bernanke.<sup>23</sup>

### III. SYSTEMIC OPTIONS

The real debate over the organization of financial systems in capitalist economies is not about methods and modes of regulation. It is a debate between systemic options, at two levels.

- ▶ A public-utility credit and banking system, geared to capital accumulation in the productive sector *versus* a capitalist credit and banking system, subordinating all other economic activities to its own profit drives.
- ▶ An international financial and monetary system under national-multilateral co-operative control *versus* a system of imperial character, dominated by the Atlantic banks and states working in tandem.

We can briefly look at each of these in turn.

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<sup>22</sup> See Greenspan, 'We will never have a perfect model of risk'; Alan Beattie and James Politi, 'Greenspan admits he made a mistake', *FT*, 24 October 2008.

<sup>23</sup> Cited in John Cassidy, 'Anatomy of a Meltdown: Ben Bernanke and the Financial Crisis', *New Yorker*, 1 December 2008.

### *A public-utility model?*

All modern economic systems, capitalist or not, need credit institutions to smooth exchanges and transactions; they need banks to produce credit money and clearance systems to smooth the payment of debts. These are vital public services, like a health service. They are also inherently unstable: the essence of a bank, after all, is that it does not hold enough funds to cover all the claims of its depositors at any one time. Ensuring the safety of the system requires that competition between banks should be suppressed. Furthermore, policy questions as to where credit should be channelled are issues of great economic, social and political moment. Thus public ownership of the credit and banking system is rational and, indeed, necessary, along with democratic control. A public-utility model along these lines can, in principle, operate within capitalism. Even now the bulk of the German banking system remains in public hands, through savings banks and *Landesbanken*. The Chinese financial system is overwhelmingly centred on a handful of huge, publicly owned banks and the Chinese government does indeed steer the credit strategies of these banks. It is possible to envisage such a public-utility model operating with privatized banks. The post-war Japanese banking system could be held to have had this character, with all its banks strictly subordinated to the Bank of Japan's policy control via the 'window-guidance system'. The post-war British commercial bank cartel could also be viewed as broadly operating within that framework, albeit raking off excessive profits from its customers.

But a private capitalist credit system, centred on banks, would operate under the logic of money capital—in Marx's formula,  $M-M'$ : advancing money to others to make more money. Once this principle is accepted as the *alpha* and *omega* of the banking system, the functional logic points towards the Greenspan apotheosis. This has been the model adopted in the US and the UK since the 1980s: making money-capital king. It entails the total subordination of the credit system's public functions to the self-expansion of money capital. Indeed, the entire spectrum of capitalist activity is drawn under the sway of money capital, in that the latter absorbs an expanding share of the profits generated across all other sectors. This has been the model that has risen to dominance as what we have called the New Wall Street System. It has been a generator of extraordinary wealth within the financial system and has actually transformed

the process of class formation in the Anglo-Saxon economies. This model is now in deep crisis.

The second debate centres around the underwriting of financial systems. Whether public or private, banking and credit systems are inherently unstable in any system where output is validated after production, in the market-place.<sup>34</sup> In such circumstances, these systems must be underwritten and controlled by public authorities with tax-raising capacities and currency-printing presses. Insofar as they are minimally public bodies—not utterly captured by the private interests of money capital—these authorities will aim to prevent crises by trying to bring the behaviour of the financial system roughly into line with broad (micro as well as macro) economic goals. At present, only states have the capacity to play this role. Rule books like Basel I or II cannot do it; neither can the EU Commission or the ECB.

Intriguingly, the Atlantic projects grouped under the name of ‘economic globalization’—the fiat dollar system, ending of capital controls, free entry and exit of big Atlantic operators in other financial systems—have ensured that most states have been deprived of the capacity to underwrite and control their own financial systems: hence the endless financial blow-outs in the South over the last thirty years. Atlantic business interests benefited from these crises, not only because their losses were fully covered by IMF insurance—paid for later by poor people in the countries hit—but also because they were used as occasions to sweep open the product and labour markets of these countries to Atlantic penetration. But now the blow-outs have hit the metropolitan heartland itself. Obviously the Atlantic economies will want to keep this system going: the practices covered by ‘financial globalization’ constitute their most profitable export sector. But it is not so clear that the rest of the world will buy a formula for more of the same. The alternative would be some return to public control, along with public underwriting. This could only be achieved by individual national states regaining effective control, via new multilateral co-operative systems comparable to those that existed before 1971, implemented on a regional if not fully international scale.

Here, however, we will focus on the question of why the financial model centred on the New Wall Street System has achieved such complete

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<sup>34</sup> Though this does not mean that they are all *equally* unstable.

hegemony within American capitalism over the past few decades. This takes us, finally, back out of the financial sphere into the wider field of socio-economic and socio-political relations in the US since the 1970s. Within this broader context, we can begin to understand how the New Wall Street System's rise to dominance within the US could have been seen as a strategic idea for tackling the problems of the American economy.

### *Financial dominance as national strategy*

From the 1970s through to the early 1980s, the American state waged a vigorous battle to revive the industrial economy, partly through a mercantilist turn in external trade policy, but above all through a domestic confrontation with labour to reduce its share of national income. This was the vision of such leaders as Paul Volcker; it was assumed that these measures would return American industry to world dominance. Yet the hoped-for broad-based industrial revival did not take place. By the mid-1980s, non-financial corporate America was falling under the sway of short-term financial engineering tactics, geared towards the goal of enhancing immediate 'shareholder value'. What followed was wave after wave of mergers and acquisitions and buy-outs by financial operators, encouraged by Wall Street investment banks who profited handsomely from such operations. The legitimating argument that this was 'enhancing industrial efficiency' seems scarcely credible. A more convincing case would be that these trends were driven by the new centrality of the financial sector within the structure of American capitalism.<sup>35</sup>

A full explanation of this development is, I think, not yet available. But the trend produced some structural features of American capitalism that have been present ever since. On the one hand, a protected military-industrial sector remains intact, funded from federal and state budgets. Some high-tech sectors, especially in ICT, were also strongly supported by state subsidies in the 1980s and 90s, and have involved real new industrial investment, without as yet playing a transformative role in the overall economy: the main impact of ICT has been in the financial sector and retail. But the bulk of the American economy, on which growth depends, has been marked by stagnant or even declining incomes amongst the mass of the population and no growth motor from new

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<sup>35</sup> This is not to say that American industrial production disappeared: it remained large, notably in the defence-budget related sector as well as in cars, aerospace, ICT and pharmaceuticals.

investment, whether public or private. With the partial exception of ICT investment in the late 90s, GDP growth in the US has not been driven by new investment at all. As is widely recognized, it has come to depend upon the stimulus of consumer demand; yet such household consumption was itself inhibited by stagnant mass incomes.

This circle was famously squared in two ways. First and most important, the problem of stimulating consumer demand was tackled through the sustained supply of credit from the financial system. Secondly, cheap commodities could be bought on an endless basis from abroad—especially from China—since dollar dominance enabled the US to run up huge current-account deficits, as other countries allowed their exports to the US to be paid for in dollars. The supply of credit from the financial system to the mass of consumers through the usual mechanisms of credit card, car debt and other loans and mortgages was, however, supplemented by the distinctive mechanism of asset-price bubbles, which generated so-called wealth effects among a relatively broad layer. The stock-market bubble of the 1990s raised the paper value of the private pensions of the mass of Americans, thus giving them a sense that they were becoming richer and could spend (and indebt themselves) more. The housing bubble had a double effect: it not only made American consumers feel confident that the value of their house was rising, enabling them to spend more; it was reinforced by a strong campaign from the banks, as we have seen, urging them to take out second mortgages and use the new money for consumption spending.

Thus the New Wall Street System directly fuelled the 1995–2008 consumer-led American boom, which ensured that the US continued to be the major driver of the world economy. This was backed by a global campaign to the effect that the US boom was not the result of debt-fed growth aided by highly destructive trends in the financial system, but of American free-market institutions. Here, then, was the basis in the broader social relations of American capitalism for the rise to dominance of the New Wall Street System: it played the central role in ensuring debt-fed growth. This Anglo-Saxon model was based upon the accumulation of consumer debt: it was growth today, paid for by hoped-for growth tomorrow. It was not based upon strengthening the means of value-generation in the economies concerned. In short, it was a bluff, buttressed by some creative national accounting practices which

exaggerated the extent of the American boom and productivity gains in the US economy.<sup>36</sup>

The role of China and other Asian exporting economies in this growth model extended beyond their large export surpluses of consumer goods to the US. These export surpluses were recycled back into the American financial system via the purchasing of US financial assets, thus cheapening the costs of debt by massively expanding 'liquidity' within the financial system. The results of these trends can be summarized in the following figures. Aggregate US debt as a percentage of GDP rose from 163 per cent in 1980 to 346 per cent in 2007. The two sectors which account for this rise were household debt and internal financial-sector debt. Household debt rose from 50 per cent of GDP in 1980 to 100 per cent of GDP in 2007. But the really dramatic rise in indebtedness occurred within the financial sector itself: from 21 per cent of GDP in 1980 to 83 per cent in 2000 and 116 per cent in 2007.<sup>37</sup>

#### IV. IMPLICATIONS

The ideological effects of the crisis will be significant, though of course far less significant than imagined by those who believe financial regimes are the product of intellectual paradigms rather than power relations. Yet the cant dished out in the past by the US Treasury and IMF is over. American-style financial-system models are now grasped as being dangerous. No less risky is the EU banking and financial-system framework, which the crisis has shown to be a house of cards, even if still standing at the time of writing. The EU's guiding notion is that banking systems are secured by good rules rather than by authoritative states with tax-raising powers. This has been shown to be a dangerous joke. The whole EU-EMU project has encouraged banks to grow too big for their national states to save them, while offering no alternative at EU or even Eurozone level. Absurdly, the Single Market and Competition rules in the financial sector insist on free competition between banks at all costs, and proscribe any state aid for them; while if the stability criteria were respected, any

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<sup>36</sup> A series of changes in US national accounting rules from 1995 onwards exaggerated both growth and productivity figures. Notable here was the use of so-called 'hedonic indicators'.

<sup>37</sup> Martin Wolf, 'Why Paulson's Plan was not a true solution to the crisis', *FT*, 24 September 2008.



full-blown credit crisis would necessarily be transformed into a 1930s-style depression. Obviously these rules are for the birds, yet they are simultaneously the principal planks of the EU political economy.<sup>38</sup>

This crisis of the American and European set-ups will no doubt have two intellectual effects. Firstly, to raise the credibility of the Chinese model of a state-owned, bank-centred financial system. This is the serious alternative to the credit models of the Atlantic world. The maintenance of capital controls and a non-convertible currency—which China has—are essential for the security of this system. Secondly, as the crisis unfolds, broader discussion of the public-utility model seems likely to return to political life, re-opening a debate that has been silenced since 1991.

Some predict much more sweeping short-term changes, such as the replacement of the dollar as the global currency or the collapse of Western leadership institutions within the world economy. A complete debauching of the dollar by the Obama Administration could, perhaps, lead to a stampede to dump it globally, along with a retreat into regional or narrow imperial trading blocs.<sup>39</sup> But no less likely could be a temporary strengthening of the use of the dollar over the next decade: a long stagnation in the US may well be combined with very low interest rates and a low dollar. This could produce a new dollar carry trade, in which everybody borrows in dollars to take them across the exchanges into higher value assets. This would produce a strong trend towards a decoupling of other exchange rates from the dollar, but it would not necessarily undermine the central element in dollar dominance: the readiness of other states to accept payments for their goods and credits in greenbacks.

We are also likely to see the intensification of the two basic structural trends in long-term credit-debt relations in the world economy. First, the creditor relations between the Atlantic world and its traditional South in Latin America, Africa and elsewhere, historically policed by the IMF. This relationship weakened over the last decade but is likely to be re-enforced

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<sup>38</sup> In addition, Western EU states made an unstated but real precondition for Eastern enlargement that the new entrants hand over the bulk of their commercial banks to their Western counterparts; a remarkable imperial move. These Western banks will now wish to starve the Eastern EU members of credit, as they seek every trick to deleverage and survive. Will the EU political authorities intervene in the market to block this? If so, how?

<sup>39</sup> A trend in this direction is evident in the US decision to give special treatment to Mexico, Brazil, Singapore and South Korea in terms of dollar-funding support.

in the present crisis. Second, the contrary debtor relations between the United States and the East Asian New Growth Centre economies, which are also likely to deepen and tighten, particularly between China and the US. This is a power relationship in which China (and other creditors) can exercise real political leverage over Washington. We have seen this operating in both the timing and the form of the renationalization of Fannie Mae and Freddie Mac.<sup>40</sup> We will see it again as the US Treasury seeks buyers of its large new tranches of debt in 2009. The East Asian economies, above all China, will likely become ever more critical to global macro-economic trends, while the erstwhile centrality of the US will weaken during its long stagnation. The strengthened financial clout of China and other East Asian states could impinge upon the old imperial credit-debt relationships between the Atlantic world and the South, by offering the latter alternative sources of financial support. This threat is already prompting warnings in the Atlantic world for Washington to soften the predatory conditions it has traditionally imposed on Africa, Latin America and elsewhere.<sup>41</sup>

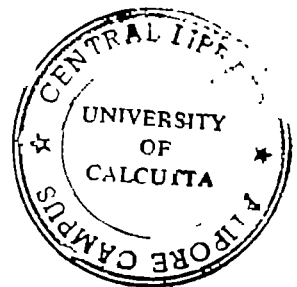
But whether this will mean that East Asia will start to build new market institutional arrangements for the world economy, challenging those of the Anglo-American world, remains unclear, for two reasons: first, the internal divisions within East Asia; and second, the question of China's strategic priorities at the present time. Thus, East Asia has an obvious rational collective interest in building its own, centralized commodity and oil markets and promoting them to world leadership, ending the dominance of London and Chicago. Such new market frameworks have sprung up, but they are divided: one in Hong Kong, one in Japan and one in Singapore. As for China, it is currently overwhelmingly concentrated on maintaining domestic growth and carrying through the leap of dynamic capital accumulation from the coast to the interior. At present, it is showing not the slightest interest in challenging the Americans for leadership in shaping the institutions of the world

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<sup>40</sup> The *Financial Times* reported that US Treasury Secretary Paulson confronted the fact that 'the Bank of China had cut its exposure to agency debt over the summer' and thus: 'found himself with a *fait accompli*. The federal government had to give reassurance to foreign investors in agency debt if it wanted to avoid chaos in financial markets and a run on the dollar. It smacks of debt crises past in Latin American countries, where the ultimate pressure for a bail-out came from foreign investors.' John Gapper, 'A US government bail-out of foreign investors', FT, 8 September 2008.

<sup>41</sup> David Rothkopf, 'The Fund faces up to competition', FT, 22 October 2008.

economy. Thus the US has some breathing space. But such is the social and political strength of Wall Street, and the weakness of social forces that might push for an industrial revival there, that it would seem most likely that the American capitalist class will squander its chance. If so, it will enjoy another round of debt-fed GDP growth funded by China and others while the US becomes ever less central to the world economy, ever less able to shape its rules and increasingly caught in long-term debt subordination to the East Asian credit matrix.



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FRANCIS MULHERN

## CULTURE AND SOCIETY, THEN AND NOW

ANY RETROSPECT OF Raymond Williams's *Culture and Society* should begin by acknowledging that the book comes to us through an already-long history of explicit retrospection.<sup>1</sup> It is a work much looked back upon. These acts of retrospection have occurred in every decade, and have differed in kind and relative salience, as of course in critical bearing. They form no consensus beyond the unchallenged assumption that the book was important and perhaps remains so. They do not substantiate a simple narrative of any kind, even if the inertial flow of textbook characterizations is noticeable—and probably inevitable, as derived acquaintance comes more and more to predominate over direct reading knowledge as the ground of Williams's currency and reputation.

The best-known retrospects are those of the nineteen-seventies: Terry Eagleton's, not only the best-known but also probably the most influential, and then the interviews that made up *Politics and Letters*.<sup>2</sup> With all qualifications made, it can be said that Eagleton and Williams's New Left Review interlocutors—I, at any rate—tended then to maximize the continuity between *Culture and Society* and the antecedent lineage of English cultural criticism and to minimize the continuity with a Marxism that Williams had first embraced, then seemingly abandoned, and was now rediscovering in new or unsuspected forms. The identifying term of this dialogic set was the phrase 'Left-Leavisism'.

The pattern of discussion in the nineteen-eighties was more complex. Williams's political engagements, in the domestic and international crises of the time, were now declaratively revolutionary, and Marxism

was the terrain on which he forwarded the theoretical programme he sometimes called cultural materialism. At the same time, his work was called into question on new grounds, as critical investigations of race and racism and the subordination of women claimed their places at the centre of cultural theory and politics.<sup>3</sup> Indeed, this might have been the decade that forgot *Culture and Society*, had it not been Williams's last: he died in 1988. Discourse on his work proliferated now, but in keeping with the protocols of the new situation. *Culture and Society* was widely recalled, of course: but this was retrospect as memorial.

Then, at the turn of the decade, came the final crisis of the Eastern bloc and, in much of the West, the refiguring or dissolution of the Communist parties. At home, this coincided with the ascent of social-liberalism in an exhausted Labour Party and a long season of perverse apologia for commodity culture. In this hopeless conjuncture, *Culture and Society* showed its most radical face (as in truth did the contemporaneous work with which it was often mistakenly twinned, Hoggart's *Uses of Literacy*).<sup>4</sup> The core thesis of Williams's conclusion—concerning the intrinsic historical creativity of socialized labour—had perhaps never seemed so coolly intransigent as it came to seem in the nineties. Here now, beyond memorial, from an earlier bad time, was 'a memory as it flashes up at a moment of danger'.<sup>5</sup>

These evocations of the past forty-odd years are one way of saying, by illustration, that *Culture and Society* is a classic—classic in the sense

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<sup>3</sup> This is the revised text of a lecture given to the Raymond Williams Society in London, November 2008, to mark the fiftieth anniversary of the publication of *Culture and Society*. A part of the argument was first aired in a lecture for the Cultural Theory Institute in the University of Manchester in 2005. References to *Culture and Society* are to the Pelican edition, London 1961, hereafter CS.

<sup>4</sup> Eagleton, *Criticism and Ideology*, London 1976, ch. 1; Williams, *Politics and Letters: Interviews with New Left Review*, London 1979.

<sup>5</sup> See, for example, Paul Gilroy, *There Ain't No Black in the Union Jack: The Cultural Politics of Race and Nation* [1987], London 2002, pp. 50–51. Patrick Parrinder, 'Culture and Society in the 1980s', in his *The Failure of Theory: Essays on Criticism and Contemporary Fiction*, Brighton 1987, p. 69, faulted Williams's 'common culture' as an idea foreclosed against 'the proliferation of cultures', characteristic of 'a multicultural society'. For critical reflections from feminist standpoints see Carolyn Steedman, *Landscape for a Good Woman: A Story of Two Lives*, London 1986; Jane Miller, *Seductions: Studies in Reading and Culture*, London 1990.

<sup>4</sup> Richard Hoggart, *Uses of Literacy*, London 1957.

<sup>5</sup> Walter Benjamin, *Illuminations*, London 1970, p. 257.

that Frank Kermode gives the term in his study of the category.<sup>6</sup> It is, notably, diversely readable. Or, to put the matter in another way, it is an elusive text, never quite where you suppose it to be, where, perhaps, you would prefer it to be, whether wishfully or in a spirit of resentment. And certainly the book has had a way of chastening confident hindsight with its own backward glance, as it goes on being read and re-read, and always slightly differently.

### *Beyond Romanticism*

What kind of work is it? Williams's translators bring their own judgements. In some languages, such as Catalan and Spanish, the title retains its original form, 'culture and society'. In Italian, the historical field and form of the book come to the fore: *Cultura e rivoluzione industriale: Inghilterra 1780-1950*. The German edition abandons the original title-form for something quite different: *Gesellschaftstheorie als Begriffsgeschichte*, or 'social theory as history of ideas', with a sub-title continuing 'studies in the historical semantics of culture'. This is an impressive miniature essay in critical specification, a contribution in itself—and it may be that we owe it in part to the circumstance that a literal translation had recently been pre-empted by another publication. *Kultur und Gesellschaft* was the title under which, in 1965, Herbert Marcuse reissued his writings from the 1930s, including a classic work of Frankfurt Critical Theory, 'On the Affirmative Character of Culture'.<sup>7</sup> A few years later, there appeared a selective English version, called *Negations*, which Williams reviewed for his university's house magazine, the *Cambridge Review*. In doing so, he wrote the first, and probably the least influential, retrospect of his own *Culture and Society*.

Williams's title, 'On Reading Marcuse', fairly indicated the nature of his interest.<sup>8</sup> He was writing about Marcuse but also about his reader, this reader, himself. In its opening phase, the review is characteristically measured—respectful, emphatically mindful of shared political commitments, yet intellectually distant. 'I think he is more often wrong than right', Williams says, and the difficulties extend beyond concepts and

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<sup>6</sup> *The Classic*, London 1975.

<sup>7</sup> Two volumes, Frankfurt 1965.

<sup>8</sup> *Cambridge Review* 90, 30 May 1969, pp. 366–68, reprinted in Eric Homberger, William Janeway and Simon Schama, eds, *The Cambridge Mind: Ninety Years of the Cambridge Review 1879-1969*, London 1970, pp. 162–66.

theses into matters of formation and mentality: 'we see the world quite differently, at a level of primary experience quite as much as in developed intellectual work . . .' But Williams reads on, and reports with 'interest and pleasure' a 'possible bridge' from Britain to this alien thought-world. It has been common to classify such moments as instances of an island empiricism saved from inanition by post-Hegelian theory. But the story Williams goes on to dramatize here, with mounting intensity, is different. The particular interest of the essay on affirmative culture, he says, is that 'its analysis corresponded so closely with a central theme of *Culture and Society*, and that both were historical treatments, of very much the same problem', while being 'continents of countries apart in method and in language'. Williams describes 'a marvellous moment of intellectual liberation' as he now reads across 'that gap'. He cites Marcuse's summary of affirmative culture and declares: 'This is exactly my own conclusion' about 'the essential origin and operation of the idea of culture, as it developed in England after the Industrial Revolution, at a time when we were very close, especially through Coleridge and Carlyle, to the German thought to which Marcuse's arguments relate.' And in this, he says, with an air of elation, there is 'a sense of meeting, after a long separation'.<sup>9</sup>

Great closeness, a long separation, but then the euphoria of meeting and recognition. The ill-assorted comrades turn out to be siblings, in a distinguished line. It is a moment of romance, in a writer in whom romance, perhaps surprisingly, exerts a steady pressure. And the central historical claim is none the less forceful on that account. For all the differences Williams registers, as hyperbolically as anyone could wish, there is a strict and consequential conceptual homology between his thought and Marcuse's at this point. Pressing forward through the free indirect mode that both writers favoured for the occasion—with debatable results—is a shared critique of what Williams called *the idea of culture* as a central discursive formation of bourgeois civilization.<sup>10</sup> Williams was more inclined to affirm the affirmative than Marcuse, who pursued his dialectic into a notorious formal equation of liberal and fascist culture. There is reason, then, to regret the loss of that phrase as the title of the book we know as *Culture and Society*, and the loss of the introduction, after its

<sup>9</sup> Homberger et al., *The Cambridge Mind*, pp. 164–65.

<sup>10</sup> Paul Jones advances a very similar thesis in his recent study *Raymond Williams's Sociology of Culture: A Critical Reconstruction*, London 2004, pp. 62–68, although in the context of a discussion of method—the practice of immanent critique



part publication in 1953, also as 'The Idea of Culture', for it did much to make clear, in its cool, distant framing, that the purpose of this work too was destruction.<sup>11</sup>

This objective parallelism of early Williams and the Frankfurt critique of culture is historically specific, not merely an echo from one developed capitalist society to another, and not as chronologically strained as it may seem to be. Marcuse's study of affirmative culture dates from 1937. Adorno's brilliant continuation piece, 'Cultural Criticism and Society', was drafted in the early 1940s and first published late in that decade.<sup>12</sup> Seeded in the same post-war years, between 1949 and 1952 the essential critical-conceptual work of *Culture and Society* had been done, as the essay 'The Idea of Culture' makes plain.<sup>13</sup> The Frankfurt School's debt to the early Lukács is well known. Here, then, it is worth emphasizing how, among the various thinkers that Williams invokes in his *Marxism and Literature*, the one whose work most strongly resonates with the core theme of the book is Lukács—and not the Lukács of novelistic realism but precisely the author of *History and Class Consciousness*, a shared precursor in a distinctive post-romantic lineage of Marxist cultural thought.

### *Communism and English tradition*

What, then, can be said about the political significations of the project? The book's most telling associations, its formative associations, were with the Communist Party. This was something already fading from wider recognition by the middle 1950s, as Atlanticism consolidated its hold. With the adoption and re-narration of *Culture and Society* by the early New Left, it became hard to imagine. The cultural vision corresponding to the Communist Party's new political programme, *The British Road to Socialism*, was a concerted rally of the national culture. In the literary journal *Arena*, which had been founded for the purpose, this took two related forms: a polemical rejection of 'the American threat to British culture' and, in direct continuity with the inter-war Popular Fronts, a systematic effort to define a legitimating national past for communism. Thus, Jack Lindsay's Coleridge, the subject of the longest study in the

<sup>11</sup> Williams, 'The Idea of Culture', *Essays in Criticism*, vol. 3, no. 3, 1953, pp. 239–66.

<sup>12</sup> Adorno, *Prisms* [1955], London 1967, pp. 19–34.

<sup>13</sup> See Dai Smith, *Raymond Williams. A Warrior's Tale*, Cardigan 2008, pp. 332–401, for the gestation of *Culture and Society*

record of the journal, was presented emphatically as both an English thinker and—with conspicuous reference to Hegel—a dialectician.<sup>14</sup> Edward Thompson looked back to William Morris for illumination of ‘the moral issues today’.<sup>15</sup> Here was one of the intertexts of *Culture and Society* and, oddly enough, a warrant for everything in the book that supports the familiar continuist reading of it. It is odd indeed that the Englishness of *Culture and Society*, so often mistaken as the trace of Leavisian discourse, should turn out to be the sign of rather more substantial Communist affinities.

However, the relationship was not so simple. For the gist of Williams’s critical argument, like Marcuse’s before him, was radically at variance with the servicing assumptions of popular frontism. Marcuse’s assertion of the deep twinship of liberal and fascist culture was an outrage against the humanist pieties of official and fellow-travelling discourse in the middle 1930s. Similarly, if in an altogether less dramatic way, the British Communist narrative of English culture was not well served by Williams’s opening declaration of purpose, which he stated as plainly as anyone could wish, in damning terms that no communist could mistake: ‘I wish to show the emergence of *culture* as an abstraction and an absolute.’<sup>16</sup> The theoretical judgement of the chapter ‘Marxism and Culture’ is equally unmistakable: the English Marxist debt to English Romanticism has been significant and significantly damaging.<sup>17</sup> *Culture and Society* is, then, complex in its orientation and address. Immersed in a certain stream of English social thought, but finally sharing less with English cultural liberalism than with the Communist cultural orientation of the time; Communist, but in an intransigent critical spirit that recalls the theoretical leftism of the 1930s—including, it should be said, the writings of Christopher Caudwell, who had suffered, post mortem, the most withering of all Williams’s particular judgements.<sup>18</sup>

*Culture and Society* appears to furnish all of us with some evidence for our discrepant, sometimes conflicting interpretations of what it

<sup>14</sup> Lindsay, ‘Samuel Taylor Coleridge (I)’, *Arena*, February–March 1951, vol. 2, no. 6, pp. 36–49, ‘Coleridge (II)’, *Arena*, April–May 1951, vol. 2, no. 7, pp. 29–43.

<sup>15</sup> Thompson, ‘William Morris and the Moral Issues Today’, *Arena*, June–July 1951, vol. 2, no. 8, pp. 25–30; also ‘The Murder of William Morris’, *Arena*, April–May 1951, vol. 2, no. 7, pp. 9–27.

<sup>16</sup> CS, p. 17.

<sup>17</sup> CS, p. 263ff.

<sup>18</sup> CS, pp. 268–69.

has to say, and does so, I think, in consequence of its central polemical purpose, which was not to develop the idea of culture as a position or vantage-point but to disclose it as the site of struggle it had historically been. This entailed asserting continuities where there was said to be rupture, and division, including self-division, where coherence was tacitly assumed. One example must suffice to illustrate this procedure and the ambiguities it nourished. Williams is discussing Morris's socialism, in an explicit contrast with Labour and Fabianism. He cites Morris's clairvoyant thoughts about the cooption of socialist measures for a modified order of capitalist rule, and, in doing so, claims them for what he calls 'the tradition', the line descending from Burke through Arnold. Here, I would say, is Williams at his most tendentious, but that is not where my emphasis falls. What is most striking about this passage and others like it is the perfect ambiguity of its gesture to a reader. The gesture is one of inclusion, of association, but in what spirit? For one kind of reader at least, the spirit is affirmative, constructive—and in that interpretation lies a whole tradition of reading *Culture and Society*. But for another kind of reader—the kind who may have been more vividly present to Williams in the chill of the early 1950s—the spirit may have seemed provocative, the claim a discordant intrusion in a composed selection of values anointed as 'culture'. The gesture of sharing, if indeed it is that, is a calculated embarrassment, a politically directed check on the presumptuous fluency of the idea of culture as it circulated in post-war Britain.

### *Culture and Society now*

That gesture is as necessary now as it was then, we can say to begin with, although the terms of engagement have undergone crucial alteration. It is not that Williams's terms—which were those of basic class relations—have become obsolete. For all that has changed, the capitalist ordering of social life has not changed. (Even the bright claims that all has changed utterly have a faded fifties look about them.) Yet in important respects *Culture and Society* is now distant from contemporary perceptions of cultural interest and possibility—as successive waves of contemporaries have been saying for several decades. I confine myself here to just one kind of case, which has become inescapable, and which, as it happened, actually announced itself all those fifty years ago, but without entering the discursive space of the book.

There is a moment early on in *Culture and Society*, just a few pages into the first chapter, when Williams cites Edmund Burke on the true constitution of a nation. Here is Burke:

A nation is not an idea only of local extent, and individual momentary aggregation; but it is an idea of continuity, which extends in time as well as in numbers and in space. And this is a choice not only of one day, or one set of people, not a tumultuary and giddy choice; it is a deliberate election of ages and of generations; it is a constitution made by what is ten thousand times better than choice, it is made by the peculiar circumstances, occasions, tempers, disposition, and moral, civil, and social habitudes of the people, which disclose themselves only in a long space of time.

Williams then returns to his discussion, reporting that 'immediately after Burke, this complex . . . was to be called "the spirit of the nation" [and] by the end of the nineteenth century, it was to be called a national "culture"'. He adds: 'examination of the influence and development of these ideas belongs to my later chapters.'<sup>19</sup> It is a poignant moment. 'These ideas': which ideas? Burke's head-word is *nation*, and Williams repeats it twice in the first sentence of his commentary. But it is clear from the context that his spontaneous conceptual translation of the term is 'society', specifically 'organic society'. He has good reason for doing so. That is a large part of Burke's meaning. But society conceived of in this way is already more than a collective order or system, the merely social. It is, precisely, *national* society, or society as nation. Burke's 'people' are above all fathers and mothers and daughters and sons, generations in the shaping of an extended family. Their social being is inherently ethnic—and emphatically so, for Burke's ethico-political preference is set in stone. This organic constitution, he says, is 'made by what is ten thousand times better than choice'.

Here is an idea of culture that Williams did not, in fact, pursue in his later chapters—or, for that matter, in *The Long Revolution*, notwithstanding the theoretical status he accorded 'the system of generation and nurture' there.<sup>20</sup> In this idea of culture, the family is the stake, the symbol and

<sup>19</sup> CS, pp. 30–31.

<sup>20</sup> Others did, in different ways. Richard Wollheim, in his pamphlet *Socialism and Culture*, warned against the cultural centring of family, arguing that this would inevitably favour 'conservatism and conformism' (Fabian Tract 331, London 1961, pp. 12–13). Just a few years later, Juliet Mitchell placed the family at the strategic centre of feminist thinking in her pioneering essay 'Women: the Longest Revolution', NLR 1/40, November–December 1966, pp. 11–37.

the template of sociality. Its common collective mode is, as it was for Burke, the nation, in more or less marked association with ethnicity and race. In its most general character, it is the idea of culture as customary difference. This, rather than the meanings made familiar in literary criticism, sociology and cultural studies, is the politically charged sense of culture—its dominant—as it circulates in public controversy today, not least in Britain.

### *Culture as customary difference*

Culture is always culture, of course. That is its opaque charm. This time, what is at stake in the tautology is *customary difference*. Both parameters are essential: custom, or anything understood as custom, takes precedence over other modes of social validation, and its currency is difference. Thus, culture is what differentiates a collectivity in the mode of self-validating direct inheritance—whose value, in return, is precisely that it binds the collectivity in *difference*. The main substance of culture in this sense—its privilege or its fate—is ethnicity. This is often more obviously so in the case of racialized populations, but certainly not only then. The great contemporary exception is the supra-ethnic *Ummah*, Islam—which, nevertheless, is spontaneously ethnicized in countries such as Britain and France, whose Muslim populations were effectively founded by large-scale, regionally compact post-colonial migrations. Culture today consists above all else in customs we do not share with the others.

Culture as customary difference is not, in any final respect, a third variety, to be listed along with the high, minoritarian reserves defended by cultural criticism, and the popular forms and practices valorized by Cultural Studies. It exhibits essential features of both. It is a form of assertion of the cultural principle that is normative, at least for the particular collective it identifies—how ‘we’ really, properly are—and in some cases makes universal claims, as in the spotlight instance of purist Islam. At the same time, it is popular, more or less, in its human resources and appeal, understood as a necessary defence against the encroachments of the encircling, overweening other, which takes many forms: racism and bigotry, but also liberalism, modernity, Godlessness, materialism, selfishness, immorality, Americanization and so on. And if the discourse of culture as customary difference thus combines features of the two, this is not because it embodies a kind of dialectical resolution. On the contrary, it is because culture in this sense is the first form, the matrix

from which the familiar varieties of cultural criticism (and, indirectly, cultural studies) emerged. Leavis's high humanism was energized by an eidetic imagery of native custom. In Thomas Mann, the continuity was still more pronounced. Culture—that is, a national sensibility—is what identifies us; the rest is civilization.

Culture in this sense found its first philosophical interpreter in Herder, in the late eighteenth century, and has had numberless learned advocates since. But no one quite authored it, in that reductive, bookish sense. Such cultures have been made and sustained with the active participation of many millions, and this way of putting the matter suggests something more than the inertial recurrence implied in the term *custom*. Herder spoke of *tradition*, meaning by that a process in which collectivities adapt their inheritance for changed conditions.<sup>21</sup> Tradition in this sense is inventive. However, the everyday meaning of the word tells its own story. Tradition is inventive, and much of what it invents is precisely 'tradition', a continuity symbolically assured by the observance of acknowledged custom. This, it has often been said, is a thoroughly modern phenomenon. As Marx perceived, it is the spontaneous counter-discourse of capitalist modernity itself, just as old and with at least as many years of life to come.<sup>22</sup> What he could hardly have imagined, however, is that one hundred and fifty years later, after the surge and ebbing of socialist labour movements in every continent, the flowering and decay of secular nationalism throughout the old colonial territories, culture would be so widely honoured as the touchstone of social well-being.

### *The multicultural fix*

It is a dialectical irony of the idea of culture that it should have made its way to the centre of public discourse in Britain thanks in good part to the workings of official policies whose purpose has been, in a sense, to contain it: the cluster of policies and precepts called multiculturalism, which took shape from the nineteen-seventies onwards as part of a new strategy for managing race relations. The emphasis in what follows now about multiculturalism is critical, and, noting that, I start with two

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<sup>21</sup> 'Ideas for a Philosophy of the History of Mankind' (Book IX), *J. G. Herder on Social and Political Culture*, translated and edited by F. M. Barnard, Cambridge 1969, p 313.

<sup>22</sup> Marx, *Grundrisse: Foundations of the Critique of Political Economy (Rough Draft)*, Harmondsworth 1973, p. 162.

equally emphatic acknowledgements. First, multiculturalist discourse—the more exact designation of my subject—has itself been a many-voiced phenomenon, and no set of generalizations such as these can hope to capture its many inflections.<sup>23</sup> My remarks are an attempt to register and evaluate some key characteristics and tendencies of its dominant liberal variants. Second, the irreducible positive value of multiculturalism is that it has embodied, in British public life, an unprecedented attempt to acknowledge and embrace the historical fact of a multi-racial society. It has been an important, if sometimes ambiguous, favouring condition of the struggle against racism. For now, we might say, some kind of multiculturalism is the horizon of all progressive thought and practice in its sphere. Nothing that needs to be said, from the left, in criticism of liberal multiculturalism can simply over-write that crucial development in policy and sentiment, the reach for a new civility that will be adequate to our real conditions of life in this respect.<sup>24</sup> But the criticisms have been made all along, and they bear recapitulation at a time when that discourse has entered a period of acute anxiety.

The idea of multiculturalism was always questionable as a line of solution to the crisis that prompted its adoption, that of racism and the struggles against it. Culture is an anodyne representation of race, which is a historically constituted relation of organized inequality, domination and subordination. To speak blandly of a plurality of cultures in coexistence is to obscure the historic dominance of one of them, that of Anglo-Britain, and an array of continuing social effects that are not mainly 'cultural'. Yet in the cultural multiplex as which liberal discourse pictures the UK's population, the leading theme has been 'diversity', as though that were a warrant of equality, and as though some kinds of diversity were not the effects of long-standing inequality. (Likewise, social exclusion is now deplored as an obvious evil, as though the goal of full inclusion in neo-liberal Britain were the outer limit of social aspiration for all of us, and as though 'exclusion' itself were not in truth a structural variety of its benign other, inclusion.) The promotion of culture as a defining social relation has tended to obscure the articulations of ethnic and class formation, which differ crucially from one part of

<sup>23</sup> For a searching account of the complex play of interests in multiculturalism, and an affirmation of social 'conviviality', see Paul Gilroy, *After Empire: Melancholia or Conviviality*, Abingdon 2004.

<sup>24</sup> The phrase 'a new civility' is Tom Paulin's: see his *Ireland and the English Crisis*, Newcastle 1984, p. 22.

the multicultural landscape to another. The resulting patterns of relative success or failure, adjustment or deadlock, inter-ethnic convergence or particularist assertion, may have at least as much to do with generic class situations or with historic changes in the division of labour as with the specificities of cultural inheritance.

This shortcoming is in part that of liberalism generally: once capitalist social relations are excused fundamental questioning, progress can only take the form of improved life-chances for selected individuals. But in this context individuals are specified as members of communities, and here the idea of culture plays its own contradictory part in the working out of multiculturalism. The idea, as I began by saying, valorizes difference at the expense of inter-cultural commonalities. Whatever the biographical reality (individual or collective) of our formation, what counts as culture is what distinguishes us from others with whom we may in reality share as much if not more. The kind of difference that counts is custom: confirmed, received difference. It is for this reason that the multiculturalist appeal to diversity has the paradoxical effect of promoting customary stereotypes even as it deplores their negative effects. For the commercial sector of the cultural multiplex there is an irresistible logic in this: niche markets in authenticities are potentially beyond counting, and without prejudice to the emerging market in hybridities, which has yet greater potential. The junk-word 'vibrant', without which no description of the metropolitan multiplex sounds quite right, belongs to the vocabulary of tourism and, even on the lips of the well-meaning, degrades the multiculturalist ideal of a shared home to a tainted image of exoticism for all.

Customary difference is most strongly confirmed in the plane of religion, whether as doctrine, as worship, as spiritual observance or as sanctioned behaviour. The culminating effect of this discursive logic, where the contingencies of inheritance and situation favour it, is to strengthen traditionalism, the systematic advocacy of customary relations and practices, and to confirm its beneficiaries as natural leaders of populations invariably called communities. The bonds of community are seldom merely confining, of course, even though they can tighten to the point of strangulation. Unforced affections sustain them, as, in a contrasting way, do fears of an indifferent or hostile world beyond. But there is normally a price to be paid for this kind of cohesion, and those least likely to pay it are heterosexual males of a certain age and standing. The



leading businessmen, the mouthy politicians, the clerics, all the father-figures who come forward again and again as the authoritative voices of 'their' communities are heard at the expense of dissident, resisting voices: those of feminists, very notably, and other independent community activists—and of others, not leaders or activists of any kind, who simply want to live and love unthreatened on something closer to their own preferred terms. This is the monocultural face of multiculturalism, of a politics through which, as Rahila Gupta puts it, 'the state more or less enters into an informal contract with the more powerful leaders in the minority community—disempowering women and trading women's autonomy for community autonomy.'<sup>35</sup> Proposals now circulating for a modified liberalism acknowledging group as well as individual rights would sanctify such bargaining at the level of political philosophy and constitutional precept.<sup>36</sup>

### *Beyond culture*

Such, today, in Britain and elsewhere, is the dynamic of the idea of culture. The *idea*, not the complex realities it presumes to interpret and regulate, in Britain's black and brown and white minority communities. There is no relevant minority I know of in which this idea of culture, however it is formulated, is pervasively and effectively dominant. (On the other hand, its restless, fluctuating existence in the collective psyche of the majority population—and in official liberal discourse—textures the experience of anyone living in Britain.<sup>37</sup>) It hardly captures the

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<sup>35</sup> 'Wake Up, Activists Are Pounding on the Doors of Ivory Towers', *Times Higher Education Supplement*, 28 May 2004. See Gupta, ed., *From Homebreakers to Jailbreakers. Southall Black Sisters*, London 2003.

<sup>36</sup> For an example, see Bikhu Parekh, *Rethinking Multiculturalism: Cultural Diversity and Political Theory*, Basingstoke 2000.

<sup>37</sup> It was David Goodhart, the editor of the monthly *Prospect* and a self-described 'sensitive member of the liberal elite', who reimagined the official multiculturalist dream as nightmare ('Discomfort of Strangers', *Guardian*, 24 February 2004, pp. 24–25, reprinted from *Prospect* for the same month), suggesting that social solidarity was being strained to snapping-point in the UK. In the ensuing controversy, against the background of a legislative ban on the wearing of religious tokens in state schools in France, suggestions that the proposed European constitution should formally honour the Christian heritage of its core region, civilizational resistance in high places—in France again, and elsewhere—to full EU membership for 'Muslim' Turkey, and all this in a sustaining conjuncture of US–British 'war on terror', the idea of culture became, and remains, a political force (and counter-force).

historical reality of multicultural, inter-cultural formation in Britain today—a reality for which, in truth, the idea of culture promotes a false description and a futile or damaging general prospectus. What I have been attempting to describe, with all due extremism, is the logic of a discourse whose public authority—credibility, at least—and impetus are far greater than its actual social reserves. And for an explanation in the most general terms of why this might be so, we may return to *Culture and Society*, and a famous passage from its Conclusion:

The idea of culture is a general reaction to a general and major change in the condition of our common life. Its basic element is its effort at total qualitative assessment . . . General change, when it has worked itself clear, drives us back on our general designs, which we have to learn to look at again, and as a whole . . . . The working-out of the idea of culture is a slow reach again for control.<sup>25</sup>

The first thing to note in this is that 'the idea of culture' recalled by Williams is in one basic respect different from the phenomenon outlined here. In the first, the effort of discovery is evident and sometimes dominant, but in the second it is the contrasting cultural mode—transmission—that prevails, commanding the rhetoric even where the practical realities are historically more complex. The reach for control is a reach for continuity, heritage, tradition, custom. But with that large and discouraging qualification made, we can see how Williams's distant generalities hold across the span of years from Burke to the present. What are the verities—religious, ethnic, national—sponsored under the idea of culture if not efforts at 'total qualitative assessment', with solutions to match?

Williams was committed to the position that literature could have early access to emerging realities, in the forms appropriate to its own kinds. On this occasion, he came close to concluding something apparently similar, though less clearly affirmative, about the idea of culture. It is, he said, 'a general reaction to a general and major change in the conditions of our common life.' That is its great historical significance, but also its insufficiency. A 'reaction' is something less deliberate than a 'response', and not at all an apt classifying category for the learning process of which he speaks as a later stage of the change. The idea of

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<sup>25</sup> CS, p. 285.

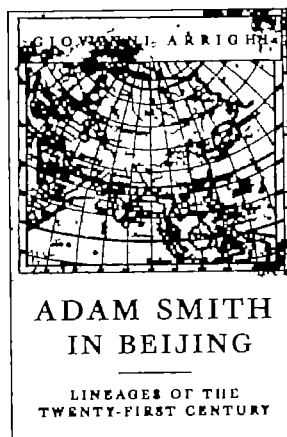
culture is a revelation in the way that a psychic symptom is revealing: insistent in its registration of a real state of affairs yet not a simple, sufficient account of it.<sup>29</sup> The idea of culture is not so much what must be learnt as the warning that there is nevertheless something to learn. That is the most general argument of Williams's classic, and one that, fifty years on, still claims us.

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<sup>29</sup> Elsewhere, in a notebook, he wrote: 'Theory of culture is a deep response to a deep disturbance of the common life of exceptional complexity, but this is its relevance.' (Cit. Smith, *Raymond Williams*, p. 443.) The choice of *but over and* makes the crucial suggestion.

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VERSO

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LUCIANA CASTELLINA

*Interview*

EUROPEAN?

*A founder member of the Partito di Unità Proletaria, you were several times elected to both the Italian National Assembly and the European Parliament. How long did you serve as an MEP?*

**F**OR TWENTY YEARS, from 1979 to 1999. Before 1979, the European Parliament was formed by delegations of the national parliaments, but since then it has been directly elected by universal suffrage. At the time we all supported this move, thinking it would make the Parliament more democratic, but that's proved nonsense. Before, there was more of a link between the European and the national parliaments, because the same people were involved; now that the deputies to one are not the same as those elected to the other, they have no occasion to meet. As a result, what happens at the European Parliament is unknown at the national level. You end up with this paradox: questions are discussed in Strasbourg, but when the moment comes for national assemblies to ratify the decisions made there, no one knows what members of their own party said in the European Parliament.

The newspapers rarely talk about the European Parliament either—in my case, the Italian papers wrote about my work there only once in twenty years, because a monkey bit me when I was in Zambia with a parliamentary delegation. Naturally, the decisions of the European Parliament do get publicized, but not what accompanied them—the debate, discussions and so on. The most interesting feature of the European Parliament is that representatives from different countries and cultures, with different histories, gather to discuss a single question; but none of this makes it

through to the national arena; it is all lost, vanishing somewhere between Strasbourg and Brussels.

*Looking at the European Parliament from a British perspective—but perhaps also, a future Italian one, if the ‘Legge Truffa’ is passed—wouldn’t one have to say there is one positive feature, which is the rule that these elections have to be more or less proportional in representation? So even if Italy abolishes any kind of proportionality, you would still have it at the European level.*

It’s true that the proportional representation system means that there is a Green British MEP, for example, whereas it is unimaginable that there could be a Green MP at Westminster, any more than a Green US Congressman, given the first-past-the-post system there. But each country adapts the European PR system as it sees fit. Thus, some have a higher or lower threshold; Britain has a thorough-going constituency system, whereas Italy has just five constituencies, and party lists. And whether or not proportionality is abolished in Italy—currently Berlusconi wants to keep it, because it aids the far left against the Democratic Party—it could still be dispensed with by the European Parliament. It depends what rules it sets for itself, since this is within its competence. It is possible that there may come to be party majorities at EU level in favour of abolishing PR. Of course, that would wipe out many of the smaller parties represented there.

*Where is most of the life of the Parliament conducted?*

In Brussels, on the whole. One plenary a month is held in Strasbourg, so deputies spend four days there. But all the Committees are in Brussels, and all MEPs are members of one or more of these, so they stay in Brussels two, three or four days a week. And supplementary plenaries are held there four times a year. Then there are regular meetings of the parliamentary groups, also mostly held in Brussels. Essentially, what you have is a band of nomads constantly on the move. In the beginning it was even worse: parliamentary meetings were held in Luxembourg as well as in Brussels and Strasbourg. Now that is no longer the case, but there is still a lot of shuttling between the two bases. Every year, a large majority of deputies would vote to say they did not want to go to Strasbourg any more, and that everything should be moved to Brussels, to save time and money. Strasbourg is much harder to get to—you have to go via Paris, whereas there are plenty of direct flights to Brussels. But from the start, even when there was only the European Coal and Steel Community, it

had been decided that Strasbourg would be the centre—France insisted on this symbolic point—while the 1965 Brussels Treaty says that the city is the seat of the European Parliament. So the annual vote to move remained the mere expression of a wish. The thing can't be changed, even if everyone complains. The deputies have to carry reams of papers, going back and forth between airports; it's a terrible way of working.

*How important is the continual 'navette' between Strasbourg and Brussels—presumably this serves to fragment the life of the institution?*

Mostly it fragments families! Deputies are always away from home. There is a further difficulty, since not only documents but nearly 800 deputies, and twice as many officials and secretaries, have constantly to be moved between Strasbourg and Brussels. One of the amusing side effects of this is that there are plenty of love affairs—which is of course what happens when thousands of young people are dispatched to work in a city away from home. On the other hand, there are many ways in which things function better than in our national assemblies. The Europarlament has more modern premises—not like Westminster, which is just impossible—and has enough offices for all the deputies, unlike the one in Italy. The technology was from the start more up to date in Strasbourg too, and the administrative staff are very efficient.

*Can you tell us about how the Parliament actually works? How much interaction is there between deputies—is there any real convivenza?*

I sometimes think it should be mandatory for any national deputy to spend at least a year in the European Parliament, to understand that politics can be seen from different standpoints, from other cultures. But in practice, there is very little human contact between deputies of different nationalities. In the evenings, everyone goes to dinner with their fellow countrymen—Germans with Germans, Italians with Italians; it is very rare to see people of different nationalities dining together. There are many reasons for this—they eat different things, at different times, they generally don't speak each other's languages. Everyone reads their own national newspaper: the Italians come along with *La Repubblica*, the Spanish with *El País*, the British with the *Guardian*, the French with *Le Monde*. There is no communal life. Once I tried to put together a Wednesday evening cinema circle, together with Catherine Trautmann, then mayor of Strasbourg; it was a complete failure—hardly anyone came,

and when they did it was to see films from their own country. This has improved somewhat in recent years, but to begin with it was terrible.

Curiously, though, this national clustering is much less noticeable among the UK deputies—instead there is a rigid division along party lines. Conservatives and Labourites rarely have coffee together, as if they were two completely separate species, whereas Italian Christian Democrats, Communists and Socialists, who are much more distinct ideologically, all eat together, play cards afterwards, and are on first-name terms. These are to some extent matters of ‘national character’, but there is also the question of different political cultures—different ways of speaking and of approaching a subject. Sometimes this ends in disaster, and the discussion breaks down because the translators are unable to continue; it’s not a technical problem of rendering Italian into English or German into Spanish, but one of cultural translation. Even discussing North Sea fishing stocks, for example, an Italian will pose the matter as a dialectic between fish, coast and sea, silencing the translators, while an English MEP will be incapable of understanding a non-empirical speech. I have always hoped that a linguist would study the mode of expression of deputies to the European Parliament, because it would be a fantastic laboratory. There is much more homogeneity among deputies from the same country than among members of the same political party—it counts far more whether one is British or Irish than a Socialist or a Liberal. The hold of national structures is far stronger than any other affiliation.

One thing that generally happens very little, but that I did a lot, is taking part in the political life of other countries—going to congresses, conferences and so on. The European Parliament encourages this, but it is rarely done because each deputy is, after all, elected by a constituency, and doesn’t want to waste time dealing with others. The sentiment is particularly strong among the British, who can’t be budged from their constituencies, because on Fridays they have to go back there to meet their electors. It applies less among those elected from proportional lists, who therefore represent a party, which allows you to do other things.

*Is translation ever a problem?*

There is a perfectly good system of translation for all the meetings—though not, of course, for personal interaction. But translation is a



problem, because everyone insists on speaking their own language: the Danish will speak Danish, for example, even if they have good English. It can create difficulties when it comes to permanent delegations sent to non-European countries. I was vice-president of the Latin American delegation for many years, and was part of those sent to Turkey, Africa and Portugal before it joined the EU. On these trips, if there was a Greek deputy and a Dutch one, it was necessary to bring an interpreter for each. Any attempt to cut down on expenses by bringing only interpreters for English and French was strongly opposed. It was a matter of national dignity—the deputies could not give up their language. In that sense, the question of translation gives rise to some rigidity. It also creates an incredible amount of work, since all the documents have to be translated into twenty-three languages—or rather, twenty-three times twenty-three, since anything generated in Finnish needs to be put into Maltese, Hungarian, Greek, etc., and vice versa. In 1979, Mario Capanna, leader of the Proletarian Democracy Party, spoke in Latin as a protest, and was answered in Latin by a delighted Otto von Habsburg, son of the last Austro-Hungarian Emperor, and deputy for the Bavarian CSU for twenty years. Then there are those who want to provoke, speaking in Basque, Gaelic and so on, to show that ‘we are also here!’

*The personnel of the parliament presumably vary from country to country, but who wants to become a European deputy? It is often said that the material advantages are much greater than those of being a national deputy.*

The salary of a European deputy is actually the same as that of a national one, but they get a very generous daily allowance. In fact, most of the cost of the European Parliament is down to these allowances and travel expenses. Some spend their time in hotels and restaurants, while others use the money to buy flats in Brussels. Not in Strasbourg, since they only go there once a month. Deputies also have the right to hire staff, which is not always the case at national level. Most use this entitlement to take on researchers and assistants; but of course there are always some who will make the contract out in the name of their mother-in-law. The EU officials, however, as opposed to the deputies, are extremely well paid. They do interesting work, travel a lot; and Brussels is a beautiful city. The entrance exam is very demanding, since these positions are much sought after, and once you become an official you have a magnificent career ahead of you.

*What proportion of the deputies are actually fainéants—enjoying the position without really doing anything—and how many are ‘working’ parliamentarians?*

A certain number of the deputies don't do anything at all. They arrive on a plane in the morning, sign for an allowance covering two days in a hotel, then take a plane straight home. This is the scandal of the European Parliament, but they are a minority—probably not more than 10 per cent. And of course, these types also exist in national parliaments. Most deputies are fairly conscientious and hard-working, but the question is: what do they do? A huge amount of time is spent simply showing visitors around. Each deputy has the right to bring forty or fifty people to see the Parliament—in fact, they are paid to do this—so they invite people from their constituencies. With 785 deputies, this means the building is constantly being invaded, more often than not by visitors in national costume. One day you have fifty Scots, with their kilts and their music, another day, the Bavarians. Their fares are paid, they stay for two days and get shown all round the building. They bring their local products and set up banquets in some corner of the Parliament: Pecorino Sardo, ricotta from Maremma. It looks like a village fair rather than a political assembly. Once, instead of bringing Italians, I invited some French people who had been organizing a very good cinema festival in Burgundy, which caused uproar—‘What! But they aren't Italians!’—despite the fact that we are all supposed to be in a united Europe.

Then there are the lobbyists, who also take up a lot of the deputies' time. All the big companies have representatives in Brussels, who are permanent fixtures around the Parliament. Most of the recommendations it makes are administrative in nature—car tyres need to be produced to such-and-such specifications. But these things can ruin an automobile company, so they send people to knock on the deputies' doors, and ask how they plan to vote on an amendment that will affect sales of their product; it's a lobbyism of small things. In addition to all this, of course, the deputies have the actual work of the Parliament: the debates, the committees, the groups, the external delegations, piles of documents to look at, as well as spending time in their constituency. For those who take it seriously, it is a very demanding job.

*What, then, is the principal motivation of those who become deputies—is the European Parliament regarded as a trampoline for making a political career?*

Today, becoming a European deputy is usually something that comes at the end of one's career. Almost everyone who goes to be a European deputy disappears from the domestic political scene; they no longer appear on television or get interviewed by journalists. (There are plenty of journalists in Brussels, of course, but they see their job as reporting on the statements made by visiting dignitaries.) It is the end point of a *cursus honorum*—once politicians reach the age of sixty and have done their active work, they are sent to the Europarlament. Some young people do manage to slip in, but they don't stay, because there is no political career for them there. They become separated from their own country, dealing with questions at issue for the international elite—African policy, for instance—but which have little resonance at popular level back home.

This was not always the case. When European deputies were first elected by universal suffrage in 1979, many aspiring politicians thought it was an interesting option—at that time figures like Willy Brandt, Enrico Berlinguer, Lionel Jospin, the 'cream' of European politics, were deputies to the Europarlament. The relationship between the German SPD and the Italian Communist Party was forged there, because these people used to meet. All the Party general secretaries wanted to be MEPS, because it provided them with an opportunity to make speeches on the European stage. Gradually that disappeared. The final nail in the coffin came with the 2004 ruling that one could not be both a European deputy and a national one (an Italian decision—they were the ones who had most double-seated members).

*In your time, were there figures within the European parliament who had the clear political aim of making the parliament something more significant?*

All European deputies, if for no other reason than that they are there, think the European Parliament should have more power. This is true of everyone—the English are all completely opposed at the beginning, but after six months every single one of them ends up pro-European. Ken Coates, for example, was violently against, but went through the same metamorphosis. I myself am sceptical about this. The implication

of giving 'more power' to the European Parliament is that it would thereby need to delegate these greater powers to the executive, in this case the Council of Ministers—that is, the heads of government. I'm very much against giving more power to this body in the absence of a common European political and civil society, to which Council members would be obliged to respond. At present no such shared public opinion exists, with the result that each minister feels answerable only to his or her national constituency, rather than to the European population as a whole. Decisions made by the EU are not considered as legitimate as those taken by a government, even if one opposes it, at national level. But in any case, in a globalized world 'democracy' has become much more managerial in nature; national parliaments too have fewer powers of decision. Romantics on the left may speak of increasing the clout of the European Parliament, but the ground on which this would stand is no longer there.

A second point often raised by deputies of the Centre Left is the question of enlargement. In this view the European Union is seen as a nice rich cake, and the poor are to be invited to eat their slice; Turkey, too. I have always been opposed to this, because it inevitably seemed to differentiate between 'elite entrants', who would be luxuriously integrated, and the rest, who would be marginalized. It would have been far better to help create autonomous networks in regions such as central Europe or the Balkans, and to then enter into co-operation with them.

*What were the most significant decisions taken while you were there?*

No decisions, because as you know, the European Parliament only has powers of 'co-decision'—the Commission has a monopoly on legislative initiatives. The Parliament does not make laws, it has projects—for example, on development in the Third World. The European Parliament also busies itself with human rights, to an insufferable extent. Eduardo Galeano has spoken of the West's tendency to see itself as being like the 'golden metre', which is kept in Paris and determines how long a metre is; one could say that the metre for human rights is kept in Brussels, and is used constantly to see if a country measures up or not. This is why the European Parliament feels authorized to have opinions about everything—except its own member states; on those, nothing can be said. For example, I was a deputy during the Troubles in Northern Ireland, the Maze hunger strikes and so on. My group also included some

Irish Republicans—but we could not raise the issue, because the UK is a member state, and we cannot discuss human rights in the UK. So a lot of time is spent discussing human rights in Haiti or Venezuela, something national parliaments do not do, since this is the terrain of foreign policy. In the Europarlament, a large part of the debate revolves around these questions, giving rise to fierce ideological clashes. In a sense, European deputies are freer to speak their mind on such matters than national parliaments, because MEPs are not making binding decisions; the fact of not having to tie the discussion to a legislative agenda makes for a more varied debate. A great deal of attention is given to treaties and international agreements—GATT and so on—which in my experience national deputies tend to ignore, entrusting them to bureaucracies.

So there are some positive aspects. The European Parliament is also a significant source of recognition and legitimation for politicians—everyone from the Dalai Lama to Evo Morales has passed through to address the plenary, and it is more or less routine to have a head of state or foreign minister speak before the Political Committee. This inevitably expands the mind: European deputies have a far greater knowledge of the world than those in national parliaments.

*What about political groupings within the Parliament—how real are the Socialist group, the conservatives, and so on?*

The curious fact about the European Parliament is that it is a parliament without a government. There is no ruling majority, no opposition—majorities form on individual questions, but the traditional dialectic of political life is lacking, as MEPs have neither to defend governmental positions nor oppose them. The real dialectic unfolds within the groups, which have a tendency to become small parliaments in their own right. Especially the big groups—the European People's Party, the Party of European Socialists. My own group, Partito di Unità Proletaria, initially formed part of the Rainbow Group, but then joined the group of 'Communists and Allies', which eventually became the European United Left. The groups meet as a whole once a month, the week before the Strasbourg plenary, as well as that, all the Socialists on the Budget Committee or those on the Foreign Affairs Committee will caucus separately too. Within these groupings there are very different positions, generating real debates—the Greek and British deputies in the same Socialist group will vote differently, for example. The Party of European

Socialists exists, in theory, but each of the national parties refused to have a single 'European' party membership card. The declarations and programmes of these parties are always vague, so it's hard to see in what sense they actually exist.

*How do you get onto the committees?*

Through the D'Hondt method. It is rigorously applied. Say the Popular grouping has a hundred seats, the Socialists ninety and the Communists twenty. The largest groups get first choice—the presidency of the Political Committee is considered the most prestigious, or that of the Institutional Affairs Committee, and so on. The small groups get what is left. This is how things are divided up—the deputies do not so much choose as get told what is available. Our group got what was then the Committee on Culture, Media, Youth, Sports and Education because it was considered of no interest. There was a political battle when Berlusconi's men arrived in 1994; a lot of MEPs from the Left felt we should prevent the fascists among them from getting presidencies. But in the end we had to give up, because renouncing the D'Hondt method would have meant undermining the Parliament's whole system.

*Which committees have you worked on?*

The Committee on Development and Cooperation was the first, from 1979 to 1984. I chaired the Committee on Culture from 1994 to 1997, and the External Economic Relations Committee, dealing with economic treaties, for a year from 1998. In addition to the committees, I was a member of various delegations. Before any new country was admitted there were years of joint discussions; the delegation to Portugal lasted a long time, the one to Turkey is of course still ongoing. I was also part of the Latin American delegation, at the time of the guerrilla wars in El Salvador, Guatemala and Nicaragua, and the negotiations through the Contadora Group—we organized the first official joint seminar, with Cuba. And I was a member of the ACP-EU Joint Parliamentary Assembly, which twice a year brings together MEPs with deputies from the ACP—'African, Caribbean and Pacific'—countries that have political, commercial and economic ties with Europe; in practice, the ex-colonies.

*What has been the place of culture in European integration, in your experience?*

In the Treaty of Rome of 1957, the word 'culture' doesn't even appear, nor is there any reference to it in the Single European Act of 1986. It is mentioned for the first time in the Maastricht Treaty of 1992, which only says that it would be a good thing if there was some cultural co-operation. A small step forward was made in the Amsterdam Treaty of 1997, which spoke of 'cultural identities', and the need to 'support', 'encourage', 'conserve' them. But any 'harmonization', as took place in the realm of trade, was explicitly ruled out. Exactly the same formulations appeared in the Constitution drafted for Giscard d'Estaing in 2005. By and large, culture remains the preserve of national states, and the Committee on Culture has no jurisdiction. This is why nobody wanted to be its president—it doesn't deal with anything.

EU treaties always speak of 'cultures' in the plural, invoking the concept of diversity. Stress is laid on the idea that culture is not a commodity. But in reality, of course, it is always *also* a commodity, and since the EU is dedicated to the free circulation of goods, one line of thinking holds that cultural production should fall under the rules of free competition, and that subsidies or public funding for culture are illegitimate. The European Court of Justice made a key decision along these lines in 1974, in the 'Sacchi' case, concluding that television broadcasts were a commercial service. But in that case, TV and cinema should also have come under the remit of the Trade Commissioner. We on the Cultural Committee struggled constantly against this point of view.

At the end of the 1980s, there was a real shift, as everyone became aware of the extent of US penetration of European culture. The American share of the European cinema market had risen from 35 per cent to 80 per cent in the space of 15 years, and by this time it had become cheaper for TV broadcasters to buy an hour of *Dallas* than to fund production of their own series. Suddenly there was a whole string of summits and meetings, starting with one at Delphi in 1988; the following year, the first EU Audio-Visual Conference was held in Paris—the French are especially sensitive on this question, and began to speak of the 'genocide of European culture'. The first concrete measure to emerge from this was the Television without Frontiers (TVWF) Directive, agreed in 1989, which was partly designed to harmonize broadcasting rules with a view to eliminating unfair competition; the idea was that there should be the same rules across the EU on frequency of advertising and limits on what could be shown to minors. But it also contained two potentially

far-reaching interventions: Article 4 required a minimum of 51 per cent of each broadcaster's transmissions to be European content—films, drama serials, documentaries; while Article 5 called for 10 per cent of broadcasting time or 10 per cent of budgets to be reserved for independent production. These two articles unleashed a huge struggle, as some governments and above all industry operators lobbied furiously against them. Eventually a qualification was added—'when possible'—which meant it was no longer compulsory for countries to apply them.

*Where did the opposition come from?*

Both from national governments on the commission and from deputies in the Parliament. The Parliament itself was split in two. There was strong opposition from almost all the countries in Northern Europe—for instance from Germany, where cultural matters are the preserve of the *Länder* rather than the Federal government; and from small countries whose production was too small to fill the 51 per cent. For countries like Italy and France, meeting the quota was simple, but Holland or Denmark would have to fill it with Portuguese or Greek films. They were horrified at the idea of having to show their populace films from these places. There was ferocious opposition from the UK, because its culture industry is closely linked with that of the Americans, who also fought very hard—their foreign trade representative, Carla Hills, wrote to the Committee on Culture and accused it of turning Europe into a fortress. During the Marrakech GATT talks Clinton even called Balladur and Kohl in the middle of the night to get them to change the EU's position.

There was a grand alliance against regulation of commercial television, between the Americans, Berlusconi, Murdoch and Kirch. They prefer to buy American soap operas, because producing in Europe is more expensive, and the markets are much smaller and more fragmented; the imported US template makes more commercial sense to them. Then there was lobbying from the American film industry: the Motion Picture Association of America has a permanent office in Brussels, and the studios and distributors also have staff there—in all there are around thirty people representing the interests of Hollywood. They have a huge advantage in Europe, where distribution is highly fragmented—by the end of the 90s, for example, there were over a thousand distributors, none of them continental in scope, whereas the US had only seven. By American law, distributors are not allowed to operate cinemas there, but there is



no such barrier in Europe. Warner, now owned by Fox, has been able to build an empire. The profits are huge, so the pressure brought to bear by the lobbyists is also intense. There was once a famous scandal because the MPAA had paid the cleaning ladies at the EU Parliament to give them the pieces of paper thrown away after meetings, so they could see what was happening during sessions on audio-visual policy.

In addition to the TVWF Directive, the very important MEDIA programme was launched in 1991 under Commissioner Carlo Ripa di Meana. It provided aid for pre-production, post-production, training and distribution, and had an initial budget of 200 million ECUs for the first five years. This was not much, considering it had to cover twelve countries at the time, and given that France alone spent twice as much on its cinema every year. But prior to this there was no way of financing such things at the European level—there is no article in any treaty giving authority to finance culture collectively. The US considered the MEDIA programme illegal, along with any public subsidies for production, as obstacles to the free market. There have been years of discussion and appeals, and the question has become even more difficult now because of new media. It is no longer just TV and cinema, but also the internet and so on, and there are thousands of carriers. The collisions between the Committee on Culture and MEPS working on telecommunications have intensified—they insist that we must allow the market to be dynamic, and leave open the possibility of full deregulation; Martin Bangemann, a German Liberal from the FDP, in particular insists that regulations arise from scarcity of carriers. The Committee on Culture obviously says otherwise.

*Who have been the Commissioners in charge of culture?*

At the moment it's the Slovak Ján Figel'. The first Commissioner was Ripa di Meana, followed by João de Deus Pinheiro. From 1999 to 2004 it was Viviane Reding, who then became Commissioner for Information Society and Media. When she went she took audio-visual affairs with her—something we fought against, since we have always said that film and television are not the same as telecommunications. The interest of telecommunications lasts as long as a phone call, and it doesn't matter what is said, the telecom company makes money all the same. What counts in the audio-visual sphere is not how long something lasts, but the quality of what it says. Therefore, I always fought to keep the two

things separate. But in the end, we accepted it when Reding took the audio-visual brief to the ISM Commission, because she had to some extent fought these battles with us, and it was better to have her dealing with it than some non-entity.

*How are such cultural programmes as do exist enacted?*

The Committees cannot issue regulations that then become compulsory—it has no authority to make laws. What it does instead is to set up projects, and issue funds for those. A few began in the 1980s, but the member-states remained very guarded against any harmonization of cultural or educational programmes. A second wave emerged in the 1990s, after the Maastricht Treaty: in education there were the Socrates, Leonardo and Erasmus programmes; there was Raphael, for conservation of monuments; Ariane, for translation and diffusion of books; Kaleidoscope, which encouraged artistic activities and co-operation between organizations in three or more EU countries. In 1999 the 'Culture 2000' framework for funding all this was set up, with an annual budget of 167 million ECUS—equivalent to 0.03 per cent of the EU's total budget.

The largest part of the EU Commission's money goes to regional programmes, which are nominally not supposed to deal with culture. But cultural activities may have an economic dimension: they can provide opportunities for employment, which has allowed, for example, the Irish to use European money to fill Dublin with theatres, workshops and the like. Others have used the money to help convert their economies from industrial to post-industrial ones, which has involved a lot of cultural projects. The most varied cultural activities are incentivized. Then there is the programme for the 'European Capital of Culture', which was invented by the Greek Culture Minister Melina Mercouri. To begin with there was one a year, decided by a commission, but now there are several, because the cities in question make a lot of money from tourism.

*How many students are now involved in the Erasmus programme, and how has it worked?*

Nearly 160,000 students a year now take part in Erasmus, which funds university students going abroad for part of their degree. About half come from France, Germany, Spain and Italy, with Poland, Belgium and the UK accounting for another 15 per cent. It has ended up being a typical

theft by the rich from the poor. The sums given to the students are not enough to live on—the basic Erasmus grant is 245 euros a month. This means that the people who enrol are those whose families can give them what they need to survive. It is a big gift to the children of the well-off, using public money. It would have been better to have organized a kind of European public service, so that people could go to Hungary to be a postman for six months, for example, which would have been accessible to everyone. Instead, the Erasmus programme is just for the elite. Nevertheless, it is at least something—there are now young people who speak more foreign languages, who have seen more of the world.

*Has there been harmonization in the question of mutual recognition of university degrees?*

At first there wasn't, but it has now finally come about. But the problem is that, since there is no harmonization of educational programmes, one degree in history is very different from another. How do you recognize something that is so dissimilar? So there was a phase when it was agreed that the key thing was to have accurate descriptions of the curricula—but no one trusted anyone else. A slow, complicated process has been underway ever since, which can always be brought to a halt by one or another objection, since in matters relating to culture there is a requirement for unanimity. This question of procedure is a very important one in the European system. Where the Commission wants to pass something quickly, a majority is enough. In areas they don't care about, there has to be unanimity. Liberalization of capital flows? You get a majority and that's that. But where culture is concerned, unanimity is the rule. France, for example, is insistent on this, because they are worried the others will sell out European culture to the Americans, so they want to retain a right of veto. As you can imagine, this slows things down tremendously, often bringing everything to a standstill.

In some cases, where there is no possibility of harmonization, a substitution takes place. For example, the Eurimages programme, which provides co-production funds for European films; many would not have been made without this assistance, notably the recent Romanian 'New Wave'. But the British were opposed to Eurimages, and it was impossible to go ahead with it. So in 1988, it was transferred to the Council of Europe—founded in 1949 as an inter-governmental body, and therefore not bound by any of the same procedural rules as the EU. Likewise, the

European University Institute in Florence is not an EU programme, it is an inter-governmental project, because there has never been unanimity on it. The Council of Europe has remained somewhat marginal, and has fewer funds to distribute, but they can often do things well because they are in some ways freer—as in the case of Eurimages. Projects that cannot be taken forward within the EU, because unanimity has not been reached, are often transferred to the Council of Europe.

*If you look back to the 70s, when you entered the European Parliament, and compare the situation today, what progress could you cite in the construction of anything like a European culture?*

Absolutely none—there has been a movement backwards, if anything. In 1979, there was still some sense that there was such a thing as Europe. But with the enormous changes wrought by globalization, 'Europe' has lost any real meaning; it has lost its internal coherence. In foreign policy, the EU does what the US tells it to. In commerce, European countries have stronger relations with China than with each other. In the realm of culture, people in Europe read more American than European literature, as Franco Moretti has pointed out. I mentioned the Ariane translation programme, which the English have always opposed—everything is translated from English anyway. Twelve years ago, when I was president of Italia Cinema, the state agency for promoting film, I drafted a long document in which I tried to compare the current situation with the Quattrocento. In the 1400s, you had a real interchange among painters' studios, Florentines travelled to Rotterdam, the Dutch to Italy, Spinoza was translated into ten languages—there really was a Europe-wide circulation of artists and writers. Today, that isn't the case. There is certainly a circulation of American culture, but interchanges within Europe are far fewer than before.

*Are you saying all the directives—for example, in defence of European cinema—have had no practical effect?*

No, they did have some impact. But above all on domestic production, not at the intra-European level. Ulrich Beck might say that, thanks to low-cost air travel, labour mobility, inter-marriage, student exchanges, we have become much more European. Not true: it has made us more global, rather than European. The low-cost flights go to Thailand as well as to Holland. It seems to me that globalization has produced localism,

a watering down and narrowing of national identities to regional or even town level. If you ask someone in Tuscany where they are from, they will not reply 'Italy', but 'Porto Santo Stefano'.

But since there is no European identity, you find yourself asking 'why Europe?' In what way is Europe different from the rest of the world? Besides the EU, the speciality foods and cheeses? The Union not only negotiates the cost of labour, it is also the bearer of values and principles. Ultimately, European society has retained a certain distance from the market, from 'economism'. However, this is slowly disappearing—especially since the entry of the Eastern states, which are very openly pro-American. Then there is the question of immigration: what has European identity become, given that a third is now made up of people of non-European origins?



But—to end on a political note—the truth is that all international organizations are in rapid decline; even the WTO has become less important. They worked well when a single power was in charge, but now it is enough for a country like China to raise objections, and the multilateral approach crumbles. Everyone is instead moving forward on a bilateral basis, and Europe will in the end do the same. In the midst of this decline, the conclusion to be drawn is that a measure of democracy is possible, but that overall, globalization is leading us backwards, into fragmentation and tangled bilateral relations. The European Union forms part of that tendency; that is its fate.

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## THE LENS OF WAR

QUESTIONING PHOTOGRAPHS, asking for the ethical as well as the technical and aesthetic 'how?' and 'why?' of their making, is now a dominant critical mode. It informs both the choice and arrangement of pictures in the exhibitions, spread across ten sites in southern England, that make up the 2008 Brighton Photo Biennial: *Memory of Fire*, *The War of Images and Images of War*. In an essay about the exhibitions ('Rearranging Corpses, Curatorially' in *Photoworks*) the curator Julian Stallabrass is clear about the problems that arise when evidence and art mix. He describes a discussion about the inclusion of a large print of a wounded child by Simon Norfolk in *The Sublime Image of Destruction*, a Biennial exhibition at Bexhill showing very large photographs of destroyed landscapes and smashed buildings:

Both Norfolk and I wanted to show the image because it frankly described the consequences of the war in a way that put viewers (particularly those whose governments are involved in military action) in a deeply disturbing place. Norfolk had been encouraged to take the picture by Iraqis at the scene, doubtless for similar reasons. Nevertheless, the proposed enlargement of the image to museum photography scale, and that it should be displayed under the concept of the sublime, troubled the artist and the curators at the De La Warr Pavilion . . . we eventually decided not to include the print. But our uncertainty about this image raised the difficulty of keeping both particularity and generality in mind: that the cruelties depicted are typical, and that they happen to individuals—to this child who should not be reduced to an icon of the general.

This sensitivity to the tangle of meanings, uses and negotiations that surround war photography marks all the exhibitions in the Biennial. Each has a distinct character—and it is good that they are not shown in one place. Going from Bexhill to Brighton, and from Brighton to Chichester, gives you time to think. The content is wide-ranging; there are old pictures and new ones, museum art and photojournalism, amateur

photographs and professional ones. These are didactic exhibitions that draw you into skirmishes on several fronts. Stallabrass is open-minded about the use the contrasts they offer might be put to:

In making that play of contrasts, there has been no conscious compositional effort on my part, but rather an attempt to reach for maximum clarity. This is not to say that one will not emerge or become apparent. Of the (inevitable) question: does your curating have an aesthetic, or, is there a beautiful way to rearrange corpses? On that, I must hold my silence.

The part of the Biennial that has the widest take on the current situation of war photography is *Iraq through the Lens of Vietnam* at the University of Brighton Gallery. Even when a war is over it is easy to forget there are two views to be looked at. It is a strength of the Brighton exhibition that it has images from the Vietnam and Iraq wars taken by both sides. The stories they offer—our people, good men fighting hard, suffering, dying—mirror one another. Within the period it covers—the sixties through to the present—still photography was losing its role as the dominant visual source of war news, a position it had occupied increasingly since Robert Fenton took pictures during the Crimean War and Mathew Brady during the American Civil War (Brady was in competition with draughtsmen of the calibre of Winslow Homer). The craft of photojournalism developed from those beginnings through two World Wars and the Korean War to reach its apotheosis in Vietnam. By then, though, the end of its dominance was in sight. The picture magazines were not yet dead—Larry Burrows's work for *Life* included a famous spread of death and mayhem on a helicopter flight, and long picture essays made during excursions to the front. But they were losing out to the immediacy of television. Don McCullin's pictures for the *Sunday Times* were most striking in reproductions in the colour magazine, not in a stand-alone publication. The pictures in the exhibition by Burrows and McCullin show the terror and pity of war, but the time when a photographer could take on a heroic role as chronicler of a nation's bitter history was coming to a close.

Come Iraq and you are in a new technical environment. Endless images flow from both sides. Digital devices cover the scene so completely that no image is now inherently rare. Even the moment of death becomes a commonplace when armaments picture their own targets. The digital phone with its camera (still or moving) has brought the metaphorical 'I am a camera' as close as it could be to a plain truth. So although there are still combat photographers—whose status, when they are 'embedded',



makes explicit what was always an implied partisanship—their work is challenged by un-composed, un-artful pictures. There are many in these exhibitions taken from blogs, unofficial websites and, most significantly, from the cameras of American soldiers which seem to have a special claim to truth. The wall of pictures showing the humiliation and torture of men in Abu Ghraib prison in Baghdad are artless, the quality of their flash-lit messiness is something we recognize from the pictures of last night's party or girls out on the town—the most disturbing images of the war are cousins to those that sit in our own digital cameras. Pictures in the photojournalistic tradition exemplified by the star photographers of the Vietnam War that seemed to offer unmediated truth are, one now sees, exercises in visual rhetoric, using compositional habits and telling gestures that can be tracked back through Goya or Delacroix. They are true in their own way, touching and wonderful, but not visually innocent.

### *Distance and destruction*

Other Biennial exhibitions show professional photojournalists and photographers finding modern ground not yet overwhelmed by the demotic, digital flood. The large prints in *The Sublime Image of Destruction* by Adam Broomberg and Oliver Chanarin, Simon Norfolk and Paul Seawright achieve resolution of detail beyond that which can be absorbed on a screen or printed page—that justifies their size. Voluntary acceptance of the limitations on movement and subject matter that come with the big, clumsy cameras needed to produce them sets up a distance between gallery art—which is what they are—and day-to-day reportage. The problem of human relations does not arise or can be sidestepped (as Stallabrass's and Norfolk's decision about the photograph of the wounded boy shows). The results are stately, powerful, sometimes bleak and disengaged: that is the price of becoming art, of implying rather than depicting the human predicament, of demanding longer, slower looking from the audience.

Thomas Hirschhorn's response to the digital flood is the opposite. He draws on its deepest and murkiest waters. *The Incommensurable Banner* is art too, but art that is conceptual, drained of aesthetic pleasure. By taking images of destroyed bodies and body parts, culled from images that circulate online and in print, and in making an 18-metre-long banner of them, he shows the horrors which even news channels that

announce 'some viewers may find what follows disturbing' hold back from; squeamishness drives censorship.

The time scale of Philip Jones Griffiths's engagement with Vietnam was long—his condemnation of the war, *Vietnam, Inc.* was published in 1971, but he kept returning to the country and *Agent Orange*, his account of defoliant spraying and the effects of dioxin on the human population, came out in 2004. In the exhibition (also called *Agent Orange*, at the Pallant House Gallery in Chichester) black and white photographs—some of deformed fetuses in jars; others of variously disabled children, many beautiful, many showing amazing resilience—are on the walls. A colour video of a programme made about his trips back to the country and of the work of hospitals there is also being shown in the gallery. The photographs are art—powerful, sometimes strange, sometimes beautiful, often disturbing and horrible. Jones Griffiths's own words and the video give them a context. They become evidence. Turn from video to wall and an aesthetic response replaces a social one. They are not entirely separate. As iconic images of deformed babies give way to live children and talking heads, as photographs of war are followed by videos of those affected by its aftermath, response shifts from mode to mode, flickers on and off like a failing light bulb.

These exhibitions about war are inevitably also about image technology. The books teaching photography that say 'It is not the camera but the person using it that matters' are only telling part of the truth. In war new cameras, faster emulsions and better lenses abetted what Janet Malcolm calls 'the camera's profound misanthropy', its tendency 'to show things in their worst possible aspect', its 'willingness to go to unpleasant places where no one wants to venture.' During the American Civil War Brady and his photographers took portable darkrooms to the battlefields. Their record of the Union and Confederate dead showed the unmistakable rag-doll look of corpses in a way art had never managed, or wanted, to. They could not show a running man; but a few decades later, war photographers could have action, as well as bodies rotting in the trenches and shell holes of Flanders battlefields. However, the use of devices familiar to professional studio and landscape photographers—re-enactments, combined negatives and so on—now offered an early challenge to the notion that a photograph has special status as evidence. *Photographing the First World War* at Charleston, East Sussex, shows photographs by the Australian Frank Hurley. He was sent to the trenches to record the

Australian contribution to the First World War and (he was a successful professional photographer) combined negatives and set up scenes as he would have done if he had been shooting illustrations for a tourist brochure. As a photojournalist he produced some of the most telling images of the war—truthful, but not all, strictly speaking, evidential. In the Second World War and the years leading up to it, the miniature (35mm) camera—the Leica and its imitators; in Korea and Vietnam single-lens reflex cameras as well—took over. A large step had been taken towards the theoretical limit of a device as quick and sensitive as the eye itself. The camera could go anywhere if the photographer was up for it. The television camera, now almost as portable as any still camera, would eventually take over as the primary source of news pictures—even newspapers using screen grabs as illustrations.

### *Vocabularies of violence*

You are warned as you go into some Biennial galleries that the images are shocking. They are; and you ask yourself if the revulsion, sadness and anger you feel can be put to some use. Could Hirschhorn's banner change a mind? History does not lead one to expect that descriptions of the horrors of war will impinge on policy. But that is no reason to keep them secret. It may be that human beings have a duty to know what human tribes do to each other. And if they have, what do you say about taking pleasure from it? Pictures of wars and executions, slavery and forced migration—pictures, that is, of planned and sanctioned inhumanity—can fill the viewer with powerless rage. If you are powerless and there is no pleasure in it, is the anger useful? If there is pleasure, are the photographs (taken by people who are not themselves wounded, homeless and starving) morally doubtful? If you are convinced of the imperviousness of those who decide that war must come to the evidence of its horrors, does the life of that evidence on the borderline between art and history in books and galleries raise questions? It won't do what many would like it to do to war-makers. What does it do, what should it do, to you?

A war picture can, in its lifetimes, run the gamut from straight reporting through legal evidence and propaganda to art. At each step along the road the caption changes until, in some collection of one man's great photographs, it may dwindle down to an endnote saying when and where it was taken. Images strong enough to be seen as art tell

their stories insistently. Words seem a distraction from the visual statement. Over the decades war photographs by Brady, Capa, McCullin, Burrows, Jones Griffiths and the rest have all followed that path. It is as though, once they become photographic art, a different response is called for. The job of reporting, politics or propaganda having been done, aesthetics can take over.

Yet recurrent arguments about famous war photographs show that even when seen coolly displayed in books and galleries, away from the magazines and newspapers where they were first exposed, a challenge to their status as evidence is effective. Was the flag really first raised on Iwo Jima in the way the photograph suggests? It wasn't. To know that the sense the picture gives of a thing done in the thick of battle is false leaves one disappointed. Was Capa's picture of a Spanish soldier really taken at the moment a bullet felled him? It seems that it almost certainly was, and that removes a doubt that affected its status, even as art. Photographs are in that regard different from other graphic art. To find that Goya's 'I saw this', engraved under one of his etchings in *The Disasters of War*, was not strictly true would not diminish its force in the same way.

It is not just their status as evidence that makes photographs different. They touch particular moral nerves: the violence implied by the vocabulary of picture-taking ('shoot', 'grab') suggests that the camera is a weapon and that the photographer may have a duty to protect a subject from the hurt it can inflict. The hand that reaches forward during a television confrontation to mask the lens challenges its right to take and interpret. It may be an attempt to hide something bad, but may also be a defence of privacy. Underlying the disquiet that photographs breed—and often it is memorable and beautiful photographs that make the audience most uneasy: Diane Arbus's pictures of people who are odd, marginal, mad or dysfunctional; Sally Mann's pictures of her own children, naked, bruised or crying—is a sense that someone is being used, being made to say something, without the possibility of the comeback—'but I didn't say that'—that you have if words are put in your mouth. Even when the subject wants the evidence shown—as the friends of the boy Norfolk photographed did—responsibility attaches to its use.

The vocabulary of taking and shooting may suggest violence, but framing a picture can do something that is almost the opposite—disengage the photographer from the action being recorded. There are descriptions by war photographers of being in great danger but somehow cut off from it by the very act of having to compose things in a viewfinder. To be cut off from the pain of others—isn't that a moral failing? To make your living from it, at the very least from making representative icons out of individuals having a bad time, can be both a kind of aggression and an act of abandonment. It sits uneasily with attitudes both to privacy and to the rights of the individual that are increasingly recognized and legislated for. War photographers have written about their craft in a way that suggests that the stress of seeing bad things and not being able to do much about them eventually tells. Those who record combat close-to and face the same dangers as the men and women they photograph are less likely to be accused of voyeurism than those who, with full stomachs, take pictures of starving children or coolly photograph the bereaved. But while no one is going to ask for model releases in the midst of a military skirmish, to point cameras at the dead and dying is always a transgression that must be justified.

Photography is much more of a performance art than the end product's resemblance to drawings and paintings might suggest. The roles are twisted about—the photographer who looks at the subject is the audience, but also, by controlling the moment the picture is taken, the actor. The subject may perform willingly, but a tussle of wills driven by two ideas of how the picture should look nearly always takes place. In the photographer's pursuit of his or her subject—it may be a human being, an effect of light, an animal or just some uncommon conjunction of ordinary things—the vocabulary of violence is joined with that of the chase.

Because photography so often puts the onus of interpretation on the audience it is, of all the arts, the one that has the greatest power to make them uneasy. Quotations picked up while reading Susan Sontag and Janet Malcolm on photography emphasize this. Wallace Stevens gives one angle on it: 'Most modern reproducers of life, even including the camera, really repudiate it. We gulp down evil, choke at good.' Walter Benjamin said that photography had 'succeeded in turning abject poverty itself, by handling it in a modish, technically perfect way, into an object of enjoyment.'

Robert Frank, whose bleakly wonderful photographs of America gave the lie to the hopeful, sentimental humanism of *The Family of Man*, said that 'to produce an authentic contemporary document, the visual impact should be such as will nullify explanation.' What the Brighton exhibitions reveal is that explanation is always necessary, that no photograph can speak for itself if it is to tell the truth about the thing it shows.



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MONIQUE SELIM

## NOTES FROM TASHKENT

### *An Ethnographic Study of Uzbek Scholarly Life*

A STUDY OF SOCIAL scientists in Uzbekistan is likely to be atypical in several ways. Both its setting—the Academy of Science in Tashkent—and the population under investigation: formerly tenured Soviet-era researchers, retained as contractual employees under the post-Communist regime, virtually impose methodological adjustments on the visiting ethnologist, not least because the scholars' own occupations—philosophers, historians, anthropologists, archaeologists—put them on a professional peer footing with her. Moreover, Uzbekistan stands out for its degree of exclusion from contemporary processes of capitalist globalization. A decade and a half after independence, the economy is in a disastrous state. Enterprises have stopped production, disappearing one after the other. Workers who formerly drew salaries have been left to fend for themselves in the cities, and in rural areas to adapt to subsistence economies; a skilled state employee earns an average of \$10–20 a month. Conventional terms such as 'unemployment' or 'jobs' correspond neither to the situations in which these agents now find themselves, nor to the new ways in which they have to deal with day-to-day living.

Politically, too, Uzbekistan represents an extreme case. Islam Karimov's regime has been characterized by a dramatic personalization of power and the monopolization of resources by a small circle, gravitating around the head of state; by the expropriation of national assets—the state gold reserves are stored in a Swiss bank, under Karimov's name—the expansion of the political police and the impoverishment of the population. This set-up is camouflaged as a multiparty system, simply by cloning the party in power. A staunch supporter of the war on terror, Karimov

had long cultivated close relations with Washington, including a US military basing agreement. This was revoked following the massacre of opposition demonstrators in Andijan in May 2005; Karimov suspected the US embassy of aiding and abetting the protesters. In the ensuing clampdown, my two-year investigation was also brought to a halt. In what follows, I will briefly describe this more-or-less 'improbable' ethnological terrain, before going on to discuss my findings for the Uzbek social-science community in the areas of intellectual work, marriage, ideology and knowledge formation.

Modern state-building did not commence in these territories until after the Bolshevik Revolution; the Uzbek Soviet Socialist Republic was only established in 1924, and it was almost against the popular will that Uzbekistan became independent with the fall of the Soviet Union. The brief effervescence—political, social and cultural—that had accompanied *perestroika* was rapidly brought to a halt after the 1990 elections that installed the former First Secretary of the Communist Party, Islam Karimov, as President; a post he still holds today. Born in 1938 to a lower-middle-class Samarkand family, Karimov was a product of the Soviet state orphanage system. He trained as an engineer, before joining the Gosplan bureaucracy and then working his way up through the ranks to become a provincial party leader in Kashkadaria, in the south of the country. In 1989 he was plucked from obscurity by Gorbachev and appointed Party Secretary of Uzbekistan, as a 'technocrat' who would not be beholden to clan or factional ties; indeed, one of Karimov's principal characteristics is that he has been beholden to no one except himself.

After independence his regime moved swiftly to crush all organized opposition, while undertaking a series of ideological operations to legitimize the new state. Alongside Karimov's own gigantic oeuvre—prescribed reading at all levels, from primary school to postgraduate—the authorities tasked all those scholars that had not fled the country with constructing a 'national ideology', to be based on the 'national idea'. When the Academy of Science failed to produce this, the authorities removed all its researchers from the payroll and invited them to apply instead in response to government calls for tenders. These were organized on a thematic basis, covering all disciplines, with a view to establishing an 'Uzbek science'. This would involve an overall revision, if not inversion, of the prior consensus: thus the former 'cruel tyrant' Timur would become the founding hero of the nation, while the *bosmachi*—formerly reactionaries waging



an armed struggle against the Bolshevik Revolution—are now seen as a vanguard of freedom fighters. In all fields, the prior existence of the Uzbek nation, state and civilization was to be methodically promoted. Ethnonymic and toponymic research acquired a new pre-eminence; history, archaeology and ethnology were recombined into a super-discipline that was given pride of place in the legitimization process.

At the same time, the regime was officially committed to promoting a doctrine of ethnic pluralism, sponsoring numerous dissertations on the subject. The main issue at stake was to find a way of reconciling the glorification of the Uzbek essence with the existence of non-Uzbek components of the population. There has been considerable out-migration since independence, with exogenous population groups (Russians, Volga Germans, Armenians, Koreans) among the first to leave. Today, use of the Uzbek language is being promoted by state injunction, while Russian-medium education is increasingly rare—leading to the emergence of a conceptual dichotomy between speakers of Russian, whether ethnically Uzbek or not, and speakers of Uzbek. Aimed at the promotion of Uzbeks who do not speak Russian, the old distinction between Europeans and Orientals has thus taken on a new meaning, setting up a different hierarchy of groupings. Local scholars first began to scale the ranks of the Tashkent Academy of Science in the mid-20th century; under Communist rule, the degree of official emphasis on ‘Uzbekization’ varied from one moment to another, but preference was generally given to those of Uzbek origin. In the social sciences, Party membership was also more or less obligatory for the generation, now in its eighties, that came of age after the Second World War. This did not necessarily apply in the ‘hard’ sciences, where promotion was based solely on criteria of scientific worth. At present, despite official attachment to pluralism, no position of any import is ever awarded to a non-Uzbek; national minorities are becoming increasingly rare in the tiny universe of research—the labour force in the field of ideology displaying a clear tendency towards increasing ethnic and cultural homogeneity.

Since 1990 scholars’ living standards have declined precipitately—like those of everybody else in Uzbekistan, with the exception of the political class.<sup>1</sup> The switch to the academic tender system has accelerated this.

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<sup>1</sup> The sociology department of the Academy of Science was abolished shortly after independence. Its most eminent members obtained positions with the Uzbek branches of international NGOs.

Competition is very intense, and those who succeed cannot hope to earn more than \$20 per month, on a short-term contract; the inadequacy of remuneration is aggravated by periodic non-payment. The bulk of most scholars' earnings comes from other sources: a given individual could be a taxi-driver at 6 am, a stall-holder at the market a few hours later, and an electrician in the evening. This has naturally served to weaken institutional links—in the process, making it difficult to identify such academic communities as authentic social groups, possessing the clear-cut characteristics with which ethnology can deal.

Nevertheless, scholars remain deeply attached to the institutes. Birthday parties and anniversary lunches are frequently improvised, bringing back those whose links with their departments have momentarily weakened or who now work elsewhere. Encouraged by the early Soviet state as a substitute for religious celebrations, these meals, which sometimes last well into the afternoon, have become a sort of tradition. Food is abundant and varied, washed down with vodka, wine and home-made spirits. When heads of institutes are invited, the atmosphere is more subdued. But in all cases a symbolic social group puts itself on stage, symptomatically turning towards a past that is enhanced by nostalgia: a time when everyone went to work every day and stayed there for eight full hours, proud of his scientific status and economic ease. Today, social-science scholars go to the academy perhaps once a week.

### *Academic life and work*

Yet the intellectual life of the humanities institute is quite intense. There are numerous collective events: symposia commemorating brilliant scholars of the past, ignored by the Soviets but seen now as precursors of the Uzbek essence; lengthy examinations of doctoral candidates; national conferences. The institute's meetings are attended by large numbers of the public, seeking respite from the daily hunt for groceries in under-stocked bazaars; there are many pensioners present, including dignitaries of the Soviet era, still vigorous well into their eighties, as well as many young and middle-aged researchers. At all of these events, and in particular at the doctoral orals, discussion is lively, sometimes even bitter; the chairman has to struggle to keep order. Interventions, though confined within clearly set limits, reach remarkable heights of rhetoric, despite the fact that the Uzbek language now obligatorily replaces Russian in academic communications. This rule makes things difficult for everyone, not only

as regards pronunciation but also conceptual formulation; the gradual switch from the Cyrillic to the Latin alphabet is also proving tricky to apply. Long hours can be spent discussing such questions as the difference between the national idea and the national ideology—philosophy is still hegemonic here. The observer cannot but be impressed by the activity—the activism—of most of the population, the desire for public recognition and the apparent seriousness of the arguments.

Under these conditions, the very notion of intellectual activity is thrown into question by the circumstances in which it is undertaken; yet the work itself retains enormous prestige. Ideological missions are carried out earnestly, contradictory orders are taken seriously, skills intently applied. People speak of unbending loyalty to the institutions to which they are attached. While this could arguably be seen as a prolongation of Soviet relationships, one also needs to take into account a certain nostalgia for that past. Scholars' descriptions of the Soviet era foreground the total security—economic, social and political—it provided, guaranteeing both their own future and that of their dependants. Interviewees would often name the Moscow street where their student hostel was located, or recall their *gap*—the traditionally male (though women are now joining them) Uzbek group, which forms in communities based on study, work or residence, meeting regularly for a meal to which everyone brings a contribution. Many narratives of student life in Moscow feature a Russian family that watches over the education of the young Uzbek, who repays their concern with lifelong gratitude, both affective and intellectual.

In this reconstructed past, the relationship of Uzbek scholars to the Moscow-based Soviet state—still called 'the centre' by interviewees—appears to have been a coherent one: loyal attachment, in exchange for assistance from a supreme political entity. The Republic of Uzbekistan provides no return for loyalty, leaving everyone to the tender mercies of interpersonal dependency. In social science, competition between researchers is fierce: some, for example, refuse to pass on to colleagues information obtained from foreign sources. There is considerable rivalry over access to resources—especially those from overseas—such as conferences, bursaries, calls for tenders or opportunities for publication; despite increasingly invasive censorship, this is still the major focus of scholars' pride. In the 'hard' sciences, on the other hand, the lack of adequate equipment for laboratory experimentation is so dramatic that it gives rise to mutual help and solidarity reaching beyond

individual institutes. The handful of researchers with access to state-of-the-art apparatus put it at the disposal of colleagues in other institutes, so that they can carry on with their experiments. Ingenuity and improvisation to some extent make up for the general scarcity. This pursuit of proper scientific practice in deplorable conditions is nothing less than admirable.

### *Marriage patterns*

Since independence, the Republic has not only ethnicized society for the benefit of citizens of Uzbek descent, now increasingly dominant; at the same time it has re-traditionalized social relationships. Endogamy has increased; the age of marriage, which rose during the Soviet era, has declined. Parental prerogatives in the choice of marriage partners have been canonized as an untouchable cultural norm. In a parallel development, the government has consolidated its control of the *mahalla* (neighbourhood) committees, which come under the authority of councils of *aksakal* (elders), all now directly appointed. 'Cultural' constraints have thus been institutionalized politically, while gossip and rumour have been legitimized, functioning as moral police. One of the more significant results is that divorce is now practically forbidden, as it damages the image of the neighbourhood and its ranking notables.

The social scientists I interviewed were keen to discuss these changes in matrimonial behaviour patterns, often bringing out photographs of their parents and parents-in-law to illustrate life in the 'good old days'. In the early 20th century, when prerogatives of knowledge in the region were under the aegis of Islam, women clerics or *otin*—'instructresses' in religion—had played a significant role. This type of learning was compatible with a manual trade or with Party membership from the 1920s. The process of women's emancipation was formally launched with the 1927 *hujum* or 'offensive', when Stalin lit a fire in Samarkand's mosque square for the burning of veils, known as *paranji*.

Matrimonial logics formed an important part of my conversations with the Tashkent academics. In the 50-plus generation, women had generally chosen their spouses, often having to struggle against their parents' wishes. Marriage for both men and women in this cohort was postponed until their education had been completed. Now, however, as a result of their economic anxieties, the women are organizing their own children's

marriages in authoritarian style, and making them wed as early as possible. The aim is to secure a minimum of dignity at the end of one's life—unlike the ragged, elderly Russians who have been abandoned by their families and now haunt markets, begging for a few coins and rummaging for food in the garbage. The price of this quasi-vital guarantee is youthful submission, with girls sent to their husbands' families to act as servants and be exploited at will, no matter how educated they may be, and irrespective of the intellectual status of their parents and parents-in-law. These young women find all doors closed to them when they attempt to slip out of the trap. Male supremacy, which had come under attack from the ideological apparatus of the Soviet state, has now been naturalized again, taking on the moral obviousness of an Uzbek specificity. State-controlled television drums into viewers the uniqueness of *o'zbekchilik*—'Uzbekness'—with its joyous *mahalla* and the beaming faces of its *aksakal*. Interviewees jokingly described this situation as a medieval regression.

### *Reflections on method*

The ethnologist is often placed a priori in a socially superior situation to the people being studied; the pivot of the scientific undertaking is her capacity to neutralize her putative pre-eminence by giving back to these people social knowledge of themselves. My Uzbekistan study, however, did not quite fit this traditional pattern, not only because the scholars' own occupations automatically placed them on an equal footing with the visiting anthropologist. As former citizens of the USSR, they had been educated in the conviction of communism's superiority to other forms of social organization; its collapse had altered, but not effaced, their memory of this retrospectively 'radiant' past. Their current situation, in a nation with closing frontiers and dwindling resources, was shadowed by awareness of having once belonged to a vast universal scientific community. Interviewees frequently recalled their travels in the former USSR, their training in Russia, the scientific conferences they attended, colleagues they met from all parts of the Soviet Union. Today they feel doubly excluded from the international academic community, by doubts over competence acquired in the Soviet system, and by the fact that they come from a peripheral country. Foreign contacts are therefore especially prized, as openings onto today's world of globalized research—with its calls for tenders that require multiple partnerships,

accessible only to people with personal networks—and as opportunities for symbolic reintegration.

A further element that structured the ethnological investigation was the presence of the indigenous assistant accompanying me, who clarified the project for interviewees and interpreted their responses. My collaborator—an austere, highly cultured francophone of almost sixty—came from an educated family of Uzbek origin; his schooling had been conducted in Uzbek, but he spoke perfect Russian (obligatory in higher education during the Soviet era). Together, we went through dozens of interpretative exercises, moving back and forth between what the interviewees had told us and my collaborator's own life and experience, which he distanced and objectified. The unusual combination of two facets, one endogenous and the other exogenous, generally sufficed to overcome resistance. In the eyes of interviewees, the symbolic equality between interpreter and anthropologist had an exemplary value; indeed, the neutralization of hierarchical differences was one of the forces driving the investigation.

Symbiosis between anthropologist and interpreter is indispensable to such enquiries. The configuration is modified, however, by the way endogenous 'otherness' is produced—a particularly complex process in Uzbekistan—and given a positive or negative valence. In the social-science institutes, where researchers were expected to legitimize the Uzbek 'essence', and which were therefore positioned on the 'oriental' side of Uzbek culture, interviewees were delighted when they found that my associate spoke Uzbek; his 'inside' view led them to talk freely of the paths they had followed in marriage and in research. I thus found myself involved in an almost exclusively Uzbek context, as few researchers of different origins (Russian or Korean) were still there. In the 'hard' sciences, however—where the 'nationalization' of knowledge was seen simply as deplorable government foolishness—there were more non-Uzbeks than in social science; aspiration to universality tended to efface distinctions of origin.

### *The historian*

I will conclude this sketch with a portrait of a scholar whom I will call Ivan, a historian of more than sixty. Small in stature, he was of Russian origin, with steely blue eyes. Having lost his father at an early age, he

was educated in establishments reserved for 'gifted children'. He had married, then divorced, and had no children of his own. Before 1991 he had held a teaching position in the advanced training school for Communist Party cadres, and had been a member of the Party's science committee. Now he was an ordinary researcher. I met him for the first time in spring 2004 in the social-science institute, which takes up a floor in a Khrushchev-era tower block on the spacious science campus on the city's outskirts.

Ivan spoke precisely but precipitately, as though afraid we would run out of time. He described working conditions at the institute, spontaneously pointing out to me the ideological constraints on his writing. The institute had been commissioned by the government to produce a revised history of Uzbekistan, from prehistoric origins to the present, as a tribute to the Uzbek genius. Teams had been formed to undertake this herculean task. The first volume had come out, and some fifteen more were to follow. The teams were composed of archaeologists, historians, ethnographers and also experts in (to use the names of the institute's various departments) 'Uzbek Independence', the 'Uzbek State' and the 'Colonial and Soviet Period'. This inclusion of the Soviet in the colonial era raised some intellectual problems; in private conversations, researchers would tell me how repugnant they found it to categorize the Soviet state as colonial. Beneath such disclosures lay awareness of a personal debt for their own education, and for the scientific status attained before Independence.

Ivan had undertaken an exhaustive critique of the Marxist-Leninist ideology he had formerly taught. This was at the same time a critique of his own identity, which had been founded on an allegiance to the Soviet state that had given him confidence in his own future. Today he could not accept having to write what in his eyes were clearly untruths; in the current conjuncture, however, every detail was important, and the wrong formulation might provoke terrible reprisals from the regime. Expressions could be fraught with hidden meaning, and new ones had constantly to be invented. The designation 'Great Patriotic War', for example, was now banned, and Ivan had ingeniously chosen 'Soviet-German war' to replace it. An authority on this particular period, he had refused as a matter of intellectual honour to make alterations to his writings demanded by the institute's Uzbek directress, who was fearful of committing an ideological *faux pas* for which she could be called to account.

Eventually, however, he had been forced to comply. Other factors had also come into play. Ivan's Russian origins put him in a subordinate position in the institute, making him increasingly vulnerable, like all non-Uzbeks, to fierce internal competition. His competencies were exploited in both licit and illicit modes. As a native Russian-speaker with a reputation for lucid argumentation, he was continually being asked to detect errors in the essays for the multi-volume Uzbek history; these were written in Russian, then translated into Uzbek in Cyrillic, before eventual publication in Roman script. Like most researchers of non-Uzbek origin, Ivan would earn vital income by writing theses, dissertations and *résumés* for Uzbek students who could afford to pay him, and who would not otherwise meet the required standards. Reported for doing paid work on the side, Ivan was eventually more or less forced out of the institute. His articles no longer carried his signature; only Uzbek names appear in print. When he spoke at conferences, he had to face public attacks on his ideas by ambitious ethnic Uzbek researchers keen to gain recognition for their service to the national cause.

Ivan had increased the amount of lecturing he was doing in a university in Kazakhstan just over the border, where many Uzbek researchers also lectured, as salaries were appreciably better than in Uzbekistan. With his meagre savings, he had managed to buy for \$2,000 a 70-square-metre apartment, which he then refurbished, in one of the lower-rated housing developments on the outskirts of Tashkent. He had had work done on it, and it was now surprisingly stylish, with intermittent lighting in the bedroom, brightly coloured walls, a little kitchen with benches and a table in unvarnished wood. He lived there on his own, sometimes with a boy of Uzbek origin, whom Ivan thinks of as his adopted son, and for whose education he was paying. The neighbours on his staircase were all families of Uzbek origin, from rural areas; they would ask him for advice on personal matters and dealings with government offices—and in particular, the legality of actions by one or another of the 'associations' which had taken over management of public housing when it was privatized.<sup>2</sup> Ivan was the spokesman for his neighbourhood unit, fighting the local association on behalf of all the inhabitants. Well integrated into this local society, Ivan lived in an atmosphere of mutual confidence, at ease

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<sup>2</sup> In 2005, even the president of Uzbekistan denounced the scandalous corruption of these management committees, which were using only 5 per cent of maintenance funds for actual repairs, leaving collective facilities in a state of appalling neglect.



amidst smiling women in long dresses and colourful scarves, who took affectionate care of the old bachelor.

From our very first meeting at the institute I was intrigued by Ivan, by his frankness and his blunt manner. I suggested that we meet again; he agreed immediately, inviting me to his home. The first time I went there, he had not yet properly woken up, in spite of having an appointment with me. After an evening of serious drinking, he had poured himself a small glass of vodka, supposedly to eliminate the hangover. A common local practice, this did not surprise me. But without further ado Ivan was nonetheless ready to launch out into a sweeping survey of his past and present, political and individual. He took a radical view, explaining who he was, showing me his photograph album, featuring in particular his stays in resorts to which only the intellectual elite of the USSR had had access; and study trips to Eastern Europe, together with his wife and colleagues. The photographs showed the work collective and the marital couple: the two symmetrical poles of his individual identity. Both of these poles having collapsed, he now felt exposed, and questioned the intimately articulated internal and external mechanisms that, after propelling him towards the summits of ideological domination, had left him in what he saw as shameful intellectual servitude.

In the course of several days of discussion involving Ivan, myself and my associate, I would observe the two men and try to relate them. They belonged to the same generation; one was Uzbek in origin, the other Russian. They agreed in their vision of recent history, not only politically, but also in their personal experience of the time. Our long, cordial encounters helped me place each in his proper socio-economic and political position, enabling me to grasp how their individual subjectivities were written into social relationships; the meetings also demonstrated the interpersonal limits of the ethnicization of social relationships that had been promoted by the state.

Ivan was adamant that Uzbekistan was his native land, and that he had never thought of leaving it. In Russia he was seen as a foreigner with an Uzbek accent and habits. Like many other citizens of Russian origin in Uzbekistan, he had no links whatever with Russia. Claiming, in denial of reality, to be fully an Uzbek citizen, he constantly deplored what he saw as the passivity of the population of Uzbek origin, its

resigned submission to authority. My collaborator went even further in his criticism; the two men would exchange a host of jokes, anecdotes, proverbs and political fables. All carried the same message: a people was being remorselessly crushed; bowed by suffering, it had come to tolerate the intolerable, the pitiless hubris of the powerful, their insatiable thirst. In the two men's descriptions of servile masses and avid dictators, animal metaphors abounded—sheep, fish, etc. The president of Uzbekistan was the worst, outdoing his colleagues in Central Asia. In comparison, Russia was seen as a haven of democratic development and economic progress.

### *Andijan*

In May 2005, the investigation came to an abrupt end. The trial of a group of business leaders accused of belonging to an Islamic organization in Andijan, 160 miles east of Tashkent, triggered off extensive demonstrations. These were brutally repressed: men, women and children were shot down with live ammunition. The government refused to permit an international investigation, responding to demands for one by appointing its own investigating committee with, as sole 'international' representative, the ambassador of Turkmenistan—a parody of impartiality. At the same time the government announced that it had expelled the US military from its base at Karshi-Khanabad. A book by 'Our President', sometimes still referred to as 'Our Father', was promptly put out in Uzbek and in Russian, adding to the mass of the leader's theoretical publications. Television and the press went over the events every day, showing the guilty confessing their crimes, admitting to having been manipulated by foreign powers; contrite parents disowned their offspring. Forums of young people—duly selected and bussed in from university hostels—were organized everywhere to celebrate the 'victory' of Andijan, chanting slogans proclaiming the Uzbek nation's proud refusal to bow to outside pressure.

For their part, scholars at the social-science institutes were invited to denounce traitors who had been suborned by foreign powers to destabilize the nation, as in Kyrgyzstan and Georgia. They were also called on to report people who misused the internet. The speakers at these sessions were generally elderly, in many cases had been trained as philosophers and were well versed in the rhetoric of propaganda. They urged everyone to support the government and to pass on information imparted to

them by their families, neighbours and *mahalla*. Television staged as an edifying spectacle the humiliation of those summoned to testify on the events; the authorities were determined to abase them. In 2004, fear of the State had often remained hidden, except for a few scholars who implored their visiting anthropologist, as if I were an emissary to the outside world, to do something—anything—to save their country. In 2005, however, interviewees felt obliged to take a side. Anyone showing the slightest sign of dissidence was under explicit threat. Even when fears were verbalized, this had the effect of making the Head of State seem even more invincible. He began to be referred to only in the third person; his will to power was perceived as remorseless; resistance would now be crushed with even less pity and restraint than in the past.

In the aftermath of Andijan, the scholars' discourses sometimes veered towards the fantastical, the Head of State becoming demonic. Family stories of arbitrary arrest and disappearance from the Stalin era surfaced tentatively—the comparison usually intended to suggest that the current period was even more terrifying. Independence had done away with any possibility of playing one seat of political power off against another—of appealing from the periphery to the centre, from local party organizations to Moscow.<sup>3</sup> Now defenceless individuals found themselves face to face with hypertrophied power, without mediation or escape. The academics appeared to listen attentively to the political lectures to which they were subjected in the aftermath of the Andijan massacre simply to avoid attracting the attention of government spies. They refused more than ever to watch Uzbek television or read the national dailies. They tried to get news from Moscow, but all international channels were being jammed, including the Russian ones. The sense of isolation and abandonment emerged in the course of tense conversations, which the interviewees experienced as acts of individual intrepidity. At Andijan, public buildings destroyed during the disturbances were not rebuilt because no workers made themselves available. On the city's outskirts, municipal employees refused to clean up the sombre traces of the events, and kept company with those who had died. The government's triumphal proclamations seemed to amplify the emotional turmoil caused by its lack of respect for the dead. To leave the fallen without burial: this

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<sup>3</sup> In the old phonebooks that one can still find in the institutes in Tashkent, the direct lines of party representatives are listed next to those of the directors, enabling subalterns to address complaints and claims to Moscow.

gesture of contempt was seen as a gratuitous provocation, serving only to stoke the terror of the population.<sup>4</sup>

My interpreter and I noticed with amusement that the governmental obsession with foreign agents focused on my associate, who was repeatedly identified as French, his knowledge of Uzbek merely deepening suspicions; I was seen as the interpreter. Both he and Ivan agreed on the probable consequences of the Andijan incidents. They were afraid of civil war, like the conflict that had broken out in Tajikistan in 1992, lasting five years. The only thing preventing an outcome of this sort, in their view, was the current dictatorship—increasingly detestable, but the lesser evil. According to these two men, there was no prospect of a real political alternative; none of the exiled members of the independence movement or newly emergent figures, such as the leader of the peasant party, inspired much hope. The introjection of total political powerlessness was here at its most intense. Neither man had objected to the fact that I took notes uninterruptedly during our daily meetings. Following the Andijan events, however, my companions advised me to disguise the names of all people mentioned, in case I was arrested at the airport; if my notebooks were confiscated, they could be read by the intelligence services. I immediately complied, noting that the state had slipped into our encounters in imaginary form, and that we had to protect ourselves from it as if through the use of fetishes.

One morning a few weeks after the Andijan massacre, the security services physically stopped me at the door of the institute and adamantly refused to let me in. The dismay in the eyes of my main allies spoke volumes about the force of the official order. The resignation of my erstwhile interviewees, the dispirited meal to which they invited me in a *dacha*, and their powerless silence all confirmed this painful impression. Heads of research institutes were vying with one another in ideological zeal, avoiding all risk of undue complaisance towards a foreign intruder. A charge of this sort could result in dismissal.

### *Ethnology in globalization*

The processes of capitalist globalization inevitably transform the understanding of the social sciences, and the anthropological sciences

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<sup>4</sup> Personal communication by a female Uzbek researcher from Andijan.

in particular. A corollary of this is that the position of a given country within this process has a decisive influence not only on its internal social relationships, but also on its processes of knowledge formation and the ways in which these are interpreted. The intrusion of governmental prerogatives in the social sciences in Uzbekistan—the ethnicization of humanities disciplines, the ‘scientific criminalization’ of Communism—serves to illuminate the market-based ideologization of scholarship in the ‘core’ countries, where university research is increasingly subordinated to managerial thinking and ‘cost-cutting’ demands. In France, for example, inter-ministerial calls for tenders from social scientists in most cases aim at enhancing the profitability of government measures, in particular in healthcare management and services to the handicapped and the indigent. The themes proposed for research are generally very narrow and technical, subject to a cost economy as untouchable as it is tacit, inhibiting all thinking of a more general nature on the central mechanisms of contemporary society. The same applies to international calls for tenders: task management takes up the major part of the online form.

The globalization of capitalism and of information technologies has exploded once and for all that mythical object of ethnographic study: the small, enclosed community of shared knowledge, with its own time, place, forms of production and reproduction. The impoverishment of those national landscapes excluded from the globalization process, as much as the marketization of relations in the countries at its core, serves to dissolve such clear-cut social groupings; even the micro-unit formed on the basis of work loses its pertinence. In these conditions, the quality of the attentive, face-to-face relationship and the reflections developed by the individual subject on his own life-world remain merits of the anthropological approach and indicators of its development; the act of lending an ear retains its value. Yet a study such as this also forces the anthropologist to distance herself epistemologically from ingrained scientific habits, and to reflect on her own methodological apparatus.

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## COSMOPOLITANISM'S ALIEN FACE

LET ME BEGIN with a series of recent conversations, snatches from larger discussions, in which the subjects of cosmopolitanism and modernity—in their locations both in and out of Europe—were broached, explored and argued over. In one of them (the venue was a bookshop in Oxford), I was trying to articulate my unease with the term ‘postcolonial writer’; not only as a description of myself, but as a description of a generic figure. Both the affiliations and the oppositionality of the ‘postcolonial writer’ seemed too clearly defined; while, for most of the more interesting canonical writers of twentieth-century India, the complexity of their oppositionality took their affiliations to unexpected territory—for the Urdu writer Qurratulain Hyder, therefore, there was Elizabeth Bowen; for the Bengali poet, novelist and critic Buddhadeva Bose, who adored both Tagore and Eliot, there were also the compensatory, contrary figures of the poet Jibanananda Das, a contemporary he did much to champion, and of D. H. Lawrence and Whitman.

The richness of the various power struggles to define the literary within India in the time of modernity, and the robust, often contradictory creative opportunism that took place in the interests of that struggle, are considerably reduced and simplified by the terms ‘colonial’ or ‘postcolonial’. If one were to map the strategic affinities of these writers, those terms would gradually lose their conceptual integrity; what might begin to appear (almost accidentally, as not every point of the map would be known to the other) is a sort of trade route of vernacular experimentation, a patois of the concrete, an effervescent cherishing of the idiosyncratic. If we were to trace the lines radiating from one writer or location to another on this map, we might, for instance, find that, often, a high degree of attention and erudition had been brought to bear upon the commonplace.

Of course, no such map exists. But the fact that these forms of 'commerce' (Pound's word for his curious relationship with Whitman) did characterize literary activity in the late nineteenth and twentieth centuries comes back to us even today, in unpremeditated instants. One of them occurred at the end of the discussion in that bookshop in Oxford, when a young Bangladeshi graduate student said: 'I've spoken to Indian writers who write in Bengali'—and here he mentioned Sunil Ganguly, the leading poet, novelist and aging *enfant terrible* who lives in Calcutta, and Ketaki Kushari Dyson, poet, translator of Tagore, erstwhile star student, who lives in Oxford, where she was once an undergraduate, and was in that audience—'I've spoken to these people, and they are not happy with the term "postcolonial".' He suggested this might be because of the sort of transverse mappings and affiliations I had mentioned, and which these writers had pursued in the interests of arriving at their recognizable tone and *métier*, lines of contact that could not be contained by the orthodox demarcations of the 'postcolonial'.

But it was, still, chastening and something of a salutary shock to be reminded of actual, specific individuals, and to become conscious of them in a new way, as I began to become aware of Dyson that evening, sitting not a great distance away from me, in her seventies now. In constructing my argument, I had thought about myself, about history and the great canonical writers of the Indian past, and even, in general terms, of writers like Dyson; but I had not thought of her in particular, and, for whatever reason, it had never occurred to me to speak to her, or to query her, about the subject. I knew her opinions on a range of things; but, on this, there had been an inadvertent silence. Now, to hear from another source, during a public conversation (she, wordless, as if she had some of the sphinx-like instructiveness of history or the archive), that she was unhappy at being termed a 'postcolonial' was at once vindicating and disconcerting.

In attempting to think about the alien face of cosmopolitanism, I have had to have recourse to moments such as this one, to impressions rather than hard historical fact. Something not spoken of, a question not asked, something you thought you had forgotten, and remembered later in a different way: these are almost all that are left of the residual cosmopolitanisms of the world—an odd sense of discomfiture, and, in lieu of a definitive language, personal reminiscences that appear to have implications, but remain isolated and arbitrary. Perhaps these



moments—essentially afterthoughts from itineraries that have almost been erased—may serve to mark the beginnings of an admittedly desultory enquiry, as much as the assignation of an actual historical date might; a date such as the Indian art historian Partha Mitter fixes, for instance, when he argues that the Bauhaus exhibition in Calcutta in 1922 led to the formation of an artistic avant-garde in India. The exchange that evening in Oxford, and my failure to follow up with Dyson, who disappeared quickly after the event, have made me alert to the conversations I have had since with writers in, for want of a better term, the Indian vernaculars—they being, often without quite knowing it, the sole remnants in our country of those vanished cosmopolitanisms. But there are remnants adrift everywhere; so, overheard remarks and incomplete confessions from people in various parts of the world, especially writers and scholars, also shape my interpretation. How does one think of the cosmopolitan in the global world?

### *Indianness and modernity*

A second conversation, the most recent in fact, took place over dinner with C. S. Lakshmi, who was visiting Calcutta from Bombay, where she lives; Lakshmi is better known by her pseudonym 'Ambai', and is one of the most sensuous and experimental short-story writers in the Tamil language. My wife had begun to talk about a little, comical altercation Salman Rushdie had initiated with me recently in print, while I, without irony, protested my admiration for *Midnight's Children*. 'But you can't just bring in these forms by force,' said Lakshmi, scolding an invisible third party. 'Firstly, you have to see if there's any such thing as "magic realism" in your tradition or not.' She had clearly decided this was doubtful. She confided, perturbed, scandalized: 'Do you know, it's begun in the languages as well.' By 'languages' she meant the Indian ones. 'Even Tamil and Kannada writers are now trying to be "magic realist".'

Another conversation had taken place over the telephone, again in Calcutta, with Utpal Kumar Basu; probably the most accomplished and—if I might use that word—interesting living poet in the Bengali language. We were discussing, in passing, the nature of the achievement of Subimal Misra, one of the short-story writing avant-garde in 1960s Bengal. 'He set aside the conventional Western short story with its idea of time; he was more true to our Indian sensibilities; he set aside narrative', said Basu. 'That's interesting', I observed. 'You know, of course, that, in the last

twenty years or so, it is we Indians and postcolonials who are supposed to be the storytellers, emerging as we do from our oral traditions and our millennial fairy tales'. 'Our fairy tales are very different from theirs', said Basu, unmoved. 'We don't start with, "Once upon a time".'

In both cases, Basu's and Lakshmi's, a cultural politics to do with a more or less unexamined category, 'Indianness', was being used to advance a politics of the modernist avant-garde; both writers, in effect, were offering a throwaway polemic against what the postmodern and the postcolonial had largely rehabilitated—literary narrative and the fairy tale. A second glance at their remarks, and the suggestive way the word 'our' is used in them—'our tradition', 'our stories', 'our sensibilities'—indicates that it is not the essential and changeless that is being gestured towards, but the contingent and historical; a cosmopolitanism of the avant-garde that had been located in an India which, since the late nineteenth century, had been making those transverse mappings across territories in the pursuit of certain objectives: the fragmentary, the concrete, and a certain quality of the aleatory that narrative could not accommodate. If the didacticism of the postmodern and the postcolonial had taught us that narrative—especially in its guise as epic—was liberating, that storytelling was 'empowering' in its expression of identity, the cosmopolitan avant-garde all over the world in the twentieth century had repeatedly drawn our attention to the tyranny, the enforcements, of narrative: it was to the latter that Lakshmi and Basu were referring when using that pronoun, 'our'.

Using the rhetoric of cultural nationalism in the service of the avant-garde has a long history in the non-West, almost as long as that of modernity itself in those parts. There is, for example, Tagore's strategic celebration of the fourth-century Sanskrit poet Kalidasa, as a great, possibly the supreme, describer of the 'real' (Tagore's word for the 'real' is 'nature'), a celebration undertaken while demonstrating that Western poetic language—especially Shakespeare's—repeatedly falls short of the Flaubertian task of description. This praise was formulated in the first decade of the twentieth century; but even earlier, in 1895, Tagore was already attacking rationality and teleology, and enshrining the aleatory, in his essay on Bengali nursery rhymes. Here, drawing the reader's attention to the presence of random associations that so-called 'grown up' writing often lacks, he borrows from, or echoes remarkably, William James's famous essay in *Psychology*, which had been published just three years earlier. Tagore's meditation is shored up by forms of

cultural nationalism—the invention of a literary tradition with regard to Kalidasa; the construction of a Bengali childhood in connection with the nursery rhymes—but the interests are those of the avant-garde: through Kalidasa, a privileging of the image and the ‘here and now’; through the nursery rhymes, a celebration of the disruption of linear time, and of the mysterious importance of the ‘superfluous’.

Intriguingly, these interests were being articulated right at the inception, worldwide, of the avant-garde; at the crossroads, or confluence, at which both political nationalisms and cosmopolitanisms were everywhere coming into being. The nationalism makes possible Tagore’s cultural politics as a colonized subject, and the cosmopolitanism a certain kind of journey and mapping; for instance, the crucial and unprecedented borrowing of the notion of the stream of consciousness, ‘nityaprabahita chetanar majhe’—the first known literary transposition of the idea, in fact. Against what the nationalisms of the colonies were being fashioned, we know; but to what end the anarchic play and space for the superfluous promoted by the various cosmopolitanisms were being posited we are still uncertain about; yet the urgency of the mission clearly led to an intricate and intense reciprocity over and across the values imposed by colonialism.

### *Bauhaus on the Ganges*

Here we might recall the Japanese writer Junichiro Tanizaki’s brief, dream-like manifesto, *In Praise of Shadows*, where a civilized cultural politics carries forward an essentially modernist programme. Tanizaki speaks of Japanese—even, occasionally, Eastern—architecture, habitation, allocation of domestic space, and domestic appurtenances in opposition to Western conceptions and traditions of the same things; in doing so, he positions shadows, indefiniteness, a desire for decrepitude and recycling, against the definiteness, the clarity, the newness treasured by the West. It is really a modernist dichotomy, a modernist polemic; in speaking of the East and the West, Tanizaki is subtly, richly, delicately, conflating the Japanese with the modernist. We should remember that, from the late nineteenth to the early twentieth century—when neither modernism nor the avant-garde had been ascribed the denominations, the locations, the histories and epiphanic moments by which we know them today—the West, for both European radicals and non-Western artists and thinkers, was identified with linearity, rationality, and naturalism.

The Bauhaus painters' works—Klee, Kandinsky and others—were brought to Calcutta at Tagore's behest; the latter had, Partha Mitter tells us, seen these paintings on a visit to Austria, and recognized a concordance, a convergence, of temperament and intention with his own; Mitter also reminds us of Klee's secret but deep absorption in Indian philosophy. Once the paintings were exhibited, they were reviewed in Calcutta's major English-language daily, the *Statesman*, by Stella Kramrisch, an art historian of Austrian-Jewish descent, who was also spending time in India at Tagore's invitation. In her review, Kramrisch told her readers that these paintings might reveal to them 'that European art does not mean naturalism and that the transposition of forms of nature in the work of an artist is common to ancient and modern India.' The attack on linearity and naturalism cannot be characterized as a Western development alone, with occasional epiphanic and opportunistic uses of 'other' cultural resources by Western artists: Picasso with his African mask, Gauguin and Van Gogh with their Japanese prints.

A history of cosmopolitanism and modernism has to take into account both the incursion of the Japanese print into Van Gogh's painting and the peculiar mixture of identity-making, cultural politics and modernist rhetoric in people like Tanizaki and Tagore; that both were happening at the same time, and that the modernism we are aware of in different ways today was being fashioned in the same world. What is common to Picasso, Gauguin, Kramrisch, Klee, Tagore, Tanizaki and others is an impatience with a certain kind of hard and finished object, a cosmopolitan profligacy and curiosity, a renewed, all-consuming attention directed to the contingent, the 'here and now', the particular, and a stated or secret flirtation with 'otherness' or 'difference', at a time when no language existed to do with 'difference', except the one dealing in terms like 'East', 'West', 'progress', 'materialism' and the 'primitive'. It is no historical coincidence that the avant-garde and the modernist were created everywhere in the time of colonialism. One exists in the other, in hidden ways—but not interred simply, as, in Edward Said's reading, the West Indian plantation is hidden in Jane Austen's work; a suppressed, indubitable truth that, once brought to light, would clarify and redress.

### *Cairo in Berlin*

There had been an earlier conversation. More enigmatic comment than exchange—I remember it dislocated me because of its suggestive rather

than categorical nature, and because it gave me an intimation of lines of contact I should have known more about. It also hinted at a problem of language which is always with us, and prohibits a discussion of modernity without the use of certain catch-words and oppositions: 'Western', 'derived', 'mimicry', 'elitism'. The context here is a visit to the Wissenschaftskolleg in Berlin for lunch almost three years ago, as a preamble to a talk I would deliver in early 2006. My very generous hosts that afternoon all happened, fortuitously, to be Egyptian scholars: probably because, given my own interests, all three—two women and a man—were from cultural studies or postcolonial studies or literature departments. Predictably, at some point, the conversation hovered around and then moved gently, but headlong, towards Indian literature, Salman Rushdie and 'magic realism'; as predictably, my contribution introduced a note of uncertainty in relation to the question of unacknowledged modernisms. The women nodded; I sensed that their own trajectories and career choices would have ordinarily distanced them from my preoccupations, but that erstwhile literary investments, perhaps (who knows) buried family histories and, more noticeably, Rushdie's recent pro-American politics in relation to Iraq had also alienated them from the project of epic fantasy.

The man was slightly different; unlike the women, at least one of whom seemed to have spent a lot of time in America, he taught in a department of literature in Egypt. His dilemmas, his biography, would have been somewhat unlike theirs, which is probably why it was in private that he told me: 'We have the same problem in Egypt. We find it difficult to talk about the cosmopolitanisms and modernisms in our tradition.' As I revisit the scene now, I become aware of distinctions and contrasts that my mind had suppressed at the time. The women were globalized individuals, and spoke English fluently: one of them, I think, was a naturalized American. The man, on the other hand, with all his unprepossessing sophistication, evidently spoke and wrote English as a second language. This reminded me of certain parallels in India, and the way the English language inflected histories there. The women, with their possible elite and global backgrounds, their command of English and their smattering or more of Arabic, echoed the contexts in India in which postcoloniality and notions of hybridity had been consolidated. The man, comfortable in Arabic, with more than a cursory knowledge of English, deeply engaged, in fact, with European literature, reminded me of an earlier, superannuated context in my country, in which, largely, our cosmopolitan modernity had been formed, and from which, with cultural

inflections very similar to the Egyptian scholar's, writers like the poet Basu and the short-story writer Lakshmi had emerged.

What might we understand by the word 'cosmopolitan'? The primary sense operational in India is a constitutional one: it relates to a governmental guarantee that heterogeneous faiths, communities and cultures might cohabit peacefully, even vibrantly, within a visible space—usually, the city—in the nation. In this, it is not unlike 'multiculturalism', or the special Indian post-Independence version of the 'secular': not a domain outside of religion, but a constitutionally protected space of interreligious, intercommunal co-existence. Perhaps the word 'cosmopolitan' also makes a gesture towards the urban middle classes; as a result, it is often Bombay, whose educated middle class encompasses a multifariousness of faiths and provincial identities—Gujarati, Maharashtrian, Parsi, Tamil, Bengali, Bohri Muslims, 'East Indian' Christians, to name some of them—that is called the most 'cosmopolitan' of Indian cities.

For the purposes of this piece, however, I have a somewhat different idea of the word; it has to do with the notion of inner exile at the core of the 'high' cultures of the twentieth century. If one were to keep this notion in mind, the city of Calcutta would come powerfully into the frame; and a history of Bombay cosmopolitanism would beg to be written that is more than, or distinct from, an account of variegated urban co-existence. I will return to these two cities later. But the theme of 'inner exile' reminds us that the bourgeois cosmopolitan (most profoundly, in our imagination, the European cosmopolitan)—whether artist or intellectual or writer—was never entirely at one with him or herself. Let's stay with the European cosmopolitan for a moment, as an apparently founding type. He or she presents a characteristic twentieth-century embodiment of Europeanness, but also an intriguing modulation upon it; in fact, a testing of the very limits and recognizable features of Europeanness, because the cosmopolitan, by his or her very nature, is constantly telling us they belong nowhere.

In what way? One of the main reasons for this, as we know, is that at the heart of the hegemonic 'high' cultures of modernity is the Jewish artist or intellectual; simply put, the Jew, the Other. With the crucial involvement of the figure of the Jew—and I use that term metaphorically as well as literally, introducing all its specific physical dimensions—in the shaping of cosmopolitanism, European modernity becomes, at once,

characteristically itself, with its unmistakable eclectic tenor, as we know it today, and deeply alienated from itself. All that is canonically strange about the European twentieth century—its avant-garde, its artistic disruptiveness, its experimentation—opens up, if we linger with the figure of the Jew for a while, into the strange that is not canonical, that is not European, that always carries within it the unrecognizable texture of the minority. But this pursuit cannot be an exercise where we eventually rip off the mask to reveal the true face underneath, fair or dark; because we have to reconcile ourselves, in a new way, to the fact that cosmopolitanism does not, and never had, a true face; its characteristic domain, and achievement, is the defamiliarized.

*'Bloomsbury was not natural to him'*

Before I go any further, I should distinguish what I am doing here from the many excellent scholarly studies available on the role of Jewishness in modernity. My attempt is less rigorous and more impressionistic, and has, inescapably, to do with facets of who I am: raised in Bombay, a middle-class Bengali, located, as both a writer and a reader, in the histories of modernism in a putatively postmodern age. Chancing upon an old essay by Cynthia Ozick, 'Mrs Virginia Woolf: A Madwoman and her Nurse', from her 1983 collection *Art and Ardor*, set into motion a train of thoughts that had been with me for a while, to do with Jewishness as well as the India I had grown up in. It also made me think further about the questions suggested by the conversations above: who is the non-Western cosmopolitan? Did he or she, as it were, vanish thirty years ago into postcolonial identity and ethnicity? Or does the dichotomy of the Western and the non-Western, as we understand it today, actually fall apart in the cosmopolitan?

Ozick's essay is a review of Quentin Bell's biography of his aunt Virginia; and it is, as the title implies, an account of a difficult marriage held together by significant companionship. But it also contains a surprisingly large digression on Leonard Woolf's Jewish identity in particular, and Jewishness in general—the compulsive reflections of a commentator who, a privileged insider in American letters (and, increasingly, a passionate proponent of Zionism), must, at this moment of all moments, confront the spectre of non-Europeaness. Ozick, however, does not speak of herself directly; instead, she dwells on the ministering husband in the very heart of Bloomsbury, and, specifically, on faces and

appearances. She introduces the theme, the hiccup, the rupture, after briefly sketching the educational background of the Bloomsbury set, and then narrowing upon Leonard: 'Cambridge was not natural to him, Bloomsbury was not natural to him, even England was not natural to him—not as an inheritance; he was a Jew.' And then these comments, on the biographer's failure properly to imagine Leonard Woolf, leading to an unexpected consequence, an opening up; for, Ozick would have it, Bell's inability to 'get' Leonard makes him present to us, while Aunt Virginia, whom Bell might understand intuitively, becomes distant: 'Quentin Bell has no "authority" over Leonard Woolf, as he has over his aunt; Leonard is nowhere in the biographer's grip . . . The effect is unexpected. It is as if Virginia Woolf escapes—possessing her too selectively, the biographer lets her slip—but Leonard Woolf somehow stays to become himself.'

In what way, in Ozick's essay, does he 'become himself'? She describes the strange courtship, the very distinct worlds, domestic parameters, and lineages the husband-and-wife-to-be belonged to, Virginia's trademark enervating uncertainties, the careful and polite abstention, in their set, from any remark being passed either on Leonard's religion or his agnosticism, and, in spite of this, Virginia's bewildered admission: 'You seem so foreign'. Now, Ozick begins to discuss the inescapable marks of Jewishness, and, in doing so, almost accidentally touches upon an element in the fashioning of the cosmopolitan in the twentieth century that is rarely acknowledged: the way the cosmopolitan could, poetically, 'belong nowhere', be in a state of inner exile, while the subconscious responded to a register, an actual mark, in her or him, about which it could never express itself with the candour that Virginia Woolf, from her position of agitated intimacy, could: 'You seem so foreign'. This is the mark of alterity or difference: not antithetical to cosmopolitanism's homelessness, its internationalism, but, I hope to suggest, fundamental to it.

Ozick brings us to the incontrovertible piece of evidence, the face, tracing its passage and vicissitudes from Woolf's paternal grandfather's time to his own. In connection, again, with his contemporaries, she points out that 'if his own origins were almost never mentioned to his face, his face was nevertheless there, and so, in those striking old photographs, were the faces of his grandparents.' Ozick quotes Leonard Woolf's own words, from his autobiography, on his paternal grandfather: 'a large, stern, black-haired, and black-whiskered, rabbinical Jew in a frock coat' with a 'look of stern rabbinical orthodoxy'. According to Ozick, he preferred



his Dutch-born maternal grandmother's face, 'the round, pink face of an incredibly old Dutch doll', and he also wondered if this grandmother might have had 'a good deal of non-Jewish blood in her ancestry. Some of her children and grandchildren were fair-haired and facially very unlike the "typical" Jew.' About his grandfather, though, he was resolutely without illusions:

No one could have mistaken him for anything but a Jew. Although he wore coats and trousers, hats and umbrellas, just like those of all the other gentlemen in Addison Gardens, he looked to me as if he might have stepped straight out of one of those old pictures of caftaned, bearded Jews in a ghetto.

### *Emergence*

In his unconvincing 'coats and trousers, hats and umbrellas', Leonard's grandfather is already working his way towards that secular modernity that his grandson will come to inhabit, almost naturally, but whose neutral 'Englishness', in turn, even in the temporary persona of the colonial officer, a figure of authority, does not deceive Ozick. She is, again inadvertently I think, gesturing towards a history of the secular from the nineteenth century onwards that is as characteristic of the non-West as, we see, of the heart of Empire itself: the fusing of ethnic identity, as in the case of the grandfather, with a European paradigm—an almost proud fusing, one cannot help feeling, in spite of the grandson's misgivings—and then, two generations later, with the fashioning of the cosmopolitan, the modern and the modernist, we have the grandson's invisibility, which, as Ozick shrewdly points out (without unfolding any of its consequences), is also a form of visibility. The process was taking place, let's say, in Bengal as much as in London; it is often called 'Westernization', which is an almost meaningless term, not only because the process meant very different things to Leonard Woolf's grandfather and to Woolf himself, for example, but because it does not catch the intricacy, the cultural and emotional complexity, of the way 'difference' directs the process. It is something that could equally, and as validly, be called 'non-Westernization', without any of the assertiveness of the postcolonial discourses.

Ozick then turns to a photograph, part of what she calls a 'pictorial history of Bloomsbury'. Before she offers her reading, she offers her caveat: 'One is drawn to Leonard's face much as he was drawn to his

grandfather's face, and the conclusion is the same. What Leonard's eyes saw [that is, when they confronted his grandfather] was what the eyes of the educated English classes saw [that is, when regarding Woolf]. Ozick is right to alert us to this; but there is also the question of what her eyes see, and what ours do. Ozick studies the 'arresting snapshot' of Leonard Woolf and Adrian Stephen, brother of Virginia. 'They are', says Ozick, 'both young men in their prime; the date is 1914 . . . They are dressed identically (vests, coats, ties) and positioned identically—feet apart, hands in pockets, shut lips gripping pipe or cigarette holder . . . Both faces are serene, holding back amusement, indulgent of the photographer.' At this point, we come to the anticipated turn in the portrayal: 'And still it is not a picture of two cultivated Englishmen, or not only that. Adrian is incredibly tall and Viking-like, with a forehead as broad and flat as a chimney tile; he looks like some blueblood American banker not long out of Princeton; his hair grows straight up like thick pale straw. Leonard's forehead is an attenuated wafer under a tender black forelock, his nose is nervous and frail . . .' After a moment's reflection on what the correct analogy might be, Ozick decides, as she puts it, to be 'blunt': 'he looks like a student at the yeshiva. Leonard has the unmistakable face of a Jew.'

Ozick is absolutely right, I think, in her preternatural and prickly sensitivity, to exhumate the Jewish identity of the 'cultivated Englishman'; but she is perhaps wrong to give it such fixity. There is another kind of movement taking place in this image, this picture, which Ozick says nothing about, and which would consign Adrian Stephen's type—blonde, tall, 'Viking-like'—into history just as Woolf's grandfather had been. It involves, in the unwitting figure of Woolf, the emergence of the cosmopolitan: the person who belongs nowhere, the person whose alterity and state of exile are hidden but unmistakable. The old distinction between the 'student at the yeshiva' and the 'cultivated Englishman' may have been true of Woolf's grandfather's time, but it was, already, no longer of Woolf's. To be modern, increasingly, was to be impure, both to conceal and exhibit that impurity.

The great project of 'high' modernity, defamiliarization, and the principal discourse of postcoloniality, alterity, had always, we presumed, been distinct from each other, belonging to distinct phases of twentieth-century history, and even embedded in world-views at war with one another. A second glance at the cosmopolitan—especially at the Jewish

writers and artists who lived in Europe, many of them transplanted to America from around the time of the Second World War, or who died shortly before (Benjamin, Kracauer, Schoenberg, Bloch, Arendt, to name a few)—reminds us that alterity is an indispensable and intimate constituent of the 'high' modern, that it is the hidden twin of what is already hidden but powerfully definitive of 'high' modernity—the defamiliarized. To be modern, Ozick accidentally reminds us, is to be foreign, to be 'different': not only figuratively, but, in significant ways, literally; and it is of course the literal, for obvious reasons of her own, that Ozick is here fiercely concentrated on. As far as appearances are concerned, the misfit in the picture, the one who is already beginning to date, is Adrian Stephen, not Leonard Woolf.

### *Styles and faces*

Let me, here, address my own recollections of cosmopolitanism; for Ozick's essay is of interest to me because, primarily, it makes me realign what I already know. I wish to refer to faces and styles of appearance in Bombay that gradually decided for me, as I was growing up in the sixties and seventies, what the lineaments of cosmopolitanism and bohemianism might be. In the light of Ozick's essay, I am led to wonder what made me take those decisions: for no clear or definitive catalogue of features had been put down. Of course, one identified an artist or writer of the avant-garde through their work, but there was clearly another realm involved, or else I would not have registered the adolescent shock I did at the discrepancy between T. S. Eliot's appearance and his poetry, the canonical unfamiliarity and experimental nature of the latter, and the unfamiliar or unexpected conventionality of the former. We are aware, certainly, that Eliot made deliberate comic use of this discrepancy, in 'Prufrock', of course, but pointedly in 'Lines for Cuscuta and Mirza Murad Ali Beg': 'How unpleasant to meet Mr Eliot! / With his features of clerical cut, / And his brow so grim / And his mouth so prim . . .' Here is the American exile, in middle age, a man who has, for long, deliberately emptied his appearance of signs of exile, and who seems to be mocking the visible features of cosmopolitanism (not in his poetry, but in his personal style), who seems to be refuting the subterranean ethos of alterity.

The realm of the visible, then, is an important one in recognizing the cosmopolitan, because it comprises both carefully orchestrated markers

and intrinsic lapses. Visible signs also help us to distinguish between cosmopolitanism as inner exile, and the other, constitutional form of cosmopolitanism I mentioned earlier, a state-sponsored multiculturalism. As the decades after Independence went by, this second form became the authoritative one in India, and especially definitive, in a clichéd way, of society in Bombay; what the history of cosmopolitanism as a state of inner exile might be in that city has become increasingly difficult to remember or articulate. The visible markers of constitutional cosmopolitanism were symbolic and straightforward, as in a Hindi film set in the seventies, signifying sub-nationalisms that added up to the nation: the Sikh in his turban, the Muslim in his skull cap, the Christian crossing herself, and the hero, at once Hindu and everyman, embodying the secular space—the film, the story, the nation—in which, despite tribulations and challenges, these particular elements unite. With the cosmopolitan as exile, the visible elements—the blue jeans, the handspun *khadi kurta*, the sandals, the filterless cigarette between the fingers, the copy of Lorca in one hand—did not add up; they did not cohere, as the constitution had foretold that the heterogeneous fragments of the nation would; they were casual signs of belonging nowhere.

I realize that, as I was growing up, I began to identify the cosmopolitan avant-garde and the bohemian artistic fraternity in seventies Bombay not only by their practice, but also as a consequence of what they looked like. That tutoring had come to me from desultorily studying members of this sub-class from a distance, as well as from the works and faces of the American, especially, the New York, artists and poets; in fact, a certain kind of American person who happened to be quite distinct from the 'tall, Viking-like' American banker prototype to whom Ozick compares Adrian Stephen. In this latter group, whose features I had been subconsciously absorbing, I would include a whole range of practitioners, whose work I did not necessarily admire at the time: Allen Ginsberg (who had visited India in the sixties and hung out with the Bombay and especially the Calcutta poets, including Sunil Ganguly, whom I earlier described as an 'aging *enfant terrible*'), as well as figures from pop culture and entertainment, such as Bob Dylan, Woody Allen, Groucho Marx and—with his diverse racial background and benign belligerence, a sort of honorary Jew—Frank Zappa. There seemed to be an air of the outsider, of difference, about these people: I ascribed this to their practice, and to the persona being an extension of that practice.

To be an outsider, in the twentieth century, was also often to have a curious combination of, on the one hand, the awkward, the pedagogical, the pedantic, and, on the other, the anarchic and comic; in popular culture (Albert Einstein, Groucho) the two were often interchangeable. These were signs of the fine balancing act through which alterity was shaping modernity: a seriousness that was out of place and therefore foreign, mirroring a foreignness that was altogether too serious. The modern, marked and pursued by difference, also makes a mess of things: 'under the sign of Saturn' is how Susan Sontag describes the condition in connection with Walter Benjamin, who is less than adept at the technology of everyday life ('my inability even today to make a cup of coffee'). In India, this serio-comic figure of the modern, singled out at once by modernity and difference, emerges in the nineteenth century with the Bengali babu, and is parodied by Bengalis and Englishmen alike—most savagely, for the Anglophone reader, by Kipling in *Kim* at the beginning of the new century.

### *Beats and bhadraloks*

I did not dwell on the fact that many of the faces I was studying, by some coincidence, belonged to Jews, though this was often a part of their self-advertisement; Jewishness, hidden or anxious, if ineluctable, in the Europeans, seemed to have become, with these Americans, a more acknowledged secular component, sometimes a subversive one, of defamiliarization. Many of the poets who lived or studied in Bombay and wrote in English in the 1960s and 70s—set apart in those relatively early decades after Independence, therefore, by the curious double prestige and disgrace of writing in a colonial language and an international one—this strange microcosmic minority (comprising, among others, Arun Kolatkar, Arvind Krishna Mehrotra, Nissim Ezekiel) were unmistakably cosmopolitans. They reminded me in some ways of the Americans, but this I might have taken to be a family resemblance, integral to the texture of the time. I may also have assumed that there were elements in their visible and intellectual make-up that they had fashioned after the Americans; certainly, Kolatkar and Mehrotra had studied, respectively, William Carlos Williams and Pound in order to create a vernacular that would allow them to move away from both Orientalist poetry and the King's English, a language of defamiliarization, of finding the uncanny in the Indian mundane. Something in them also very powerfully echoed the Jewishness of American artists; but I was not conscious of this fact—

nor do I think were they—except subliminally. The Jewish artist created a space that many non-Western cosmopolitans, especially in Bombay in the 1960s, came to rework seamlessly in their own milieu, without anyone either clearly noticing it, or being able to remark on it except in inadequate terms such as ‘Westernization’.

I say ‘inadequate’, because the Jew had almost unknowingly introduced a dimension of racial and physical alterity to the modern, upon which, almost unknowingly, the 1960s Indian English poets and bohemia presented their modulation. It was not simply towards the European or the Western that poets like Kolatkar and Mehrotra were aspiring, but a condition of twentieth-century modernity that crucially brought together what are seen to be incompatibles: defamiliarization and difference, modernist experiment and ethnicity, Europeaness and non-Europeaness. It also occurs to me here that the modernities and cosmopolitanisms with which I am familiar were all shaped by disenfranchised elites; that is, by groups of people who, in the contexts they found themselves in, had no natural—or had a somewhat ambivalent and subterranean—access to political power. This was true of the Jews in Europe and even America; it was true of the Bengali in the time of colonialism; it was true of the odd minority position of the Indian poets who wrote in English in the sixties, at a time well before English was the ‘boom’ Indian language it would become twenty-five years later, and were reproached by the canonical writers in the Indian vernaculars and Ginsberg alike for employing a foreign tongue. It was in these contexts of disenfranchised elitism that other, cultural modes of power were fashioned by these cosmopolitans. The question of legitimacy raised by each of these elites finds its odd, and possibly logical, counterpart in the constant question of the legitimacy of the artwork itself in modernism—is this art?—a challenge which has, of course, been domesticated in the triumphal narrative of European modernity.

Among the Bombay poets were a number of people who belonged to liminal religions: for instance, the founder poet of the group, the late Nissim Ezekiel, was Jewish, a descendant of the Bene Israel sect that had sought refuge in Gujarat in the 2nd century BC; and there was Adil Jussawala, one of the most intellectual of that set, a Zoroastrian Parsi. Their minority status played itself out in two ways: firstly, in a semi-visible relationship to the secular, largely Hindu nation, and, secondly, in connection to the prism of cosmopolitanism, where it also

merged into their roles as sometimes derided deracinated writers in the English language. Occasionally—and this is only a hunch—being part of a minority seems to have given them, particularly Ezekiel, privileged access to international cosmopolitanisms; at least, this is what these lines from Ezekiel's autobiographical poem, 'Background, Casually', seem to indicate:

The Indian landscape sears my eyes.  
I have become a part of it  
To be observed by foreigners.  
They say that I am singular,  
Their letters overstate the case.

'Singular' is a word Ezekiel uses more than once; it encompasses both the resonance of the minority and of the privileged cosmopolitan. Living in India, being Indian, you almost feel that Ezekiel is aware of Jewish cosmopolitanism, but has forgotten the problem of Jewish alterity.

Interestingly, all these artists and poets—whether they were Hindus, Muslims, Parsis, Jews, Christians—made cosmopolitanism visible in a new way in the 1960s and 70s, in that brief period when the old disenfranchised vernacular elites began to lose their intellectual hegemony in India, and before a new empowered post-Nehruvian ruling class emerged in the eighties with Rajiv Gandhi. They fashioned a style called the 'ethnic', and, in doing so, complicated the relationship between the Indian and the deracinated, between authenticity and foreignness. 'Ethnic', at the time, used to indicate, generally, non-Christian, non-European identity; with the bohemian set in India, it denoted the condition of belonging nowhere. Among its visible symbols were handspun *khadi kurtas*, sometimes worn in conjunction with long *churidar* pyjamas, sometimes blue jeans, cotton Bengali *tangail* saris, and, on the foreheads of bohemian women, large vermilion Fauvist *bindis*, the feet of both men and women in Kolhapuri *chappals* or sandals. The conventional Western clothes of the Indian middle class—shirts, trousers, suits, shoes—were set aside, not in the interests of nationalism, but for a combination of clothing which, individually, could be overdeterminedly 'Indian', but were now suddenly transformed into a signature of deracination. The 'ethnic', then, is a peculiarly 1960s Indian modulation of alterity's delicate relationship to the cosmopolitan and the defamiliarized.

On this matter of the visibility of the cosmopolitan, and its surprising allocations of the recognizable and the unrecognizable, I wish to end with a tiny coda on the city of Calcutta, and on the Bengali *bhadralok* or bourgeois—the descendant of the babu. The Bengali *bhadralok* emerges more or less parallel to the Jewish cosmopolitan in Europe; in him, once again, as in the Jew, we find the ‘high’ cultural defamiliarized merging with the irreducibly non-European. Unlike, for instance, the Japanese modern, the *bhadralok* eschews the Western suit; the suited Bengali, in fact, is often seen to be a government official, or a functionary of the Raj. The *bhadralok*’s visible mark of deracination, of defamiliarization, is the once-feudal costume, the white *dhuti-panjabi* or *kurta*; at what point the transition took place from the feudal to the cosmopolitan is difficult to pinpoint, but once it had, it became increasingly difficult to mistake, from a distance, the wearer of that costume as anyone except a person belonging to a particular history that was, indeed, unfolding worldwide. The fact that—unlike the flowing Persian or Oriental robes worn by Rammohun Roy or the Tagores, or, for that matter, the club-goer’s suit—the *dhuti-panjabi* was the attire of the Bengali everyman was important; for, like the ‘cultivated Englishman’, Leonard Woolf, it made the *bhadralok* at once invisible and newly visible. The worldwide history this person belonged to was a history of the modern, certainly, but it was also a history of the different; it was a narrative of ‘high’ culture as well as being a narrative of otherness. That narrative, it turned out, had a limited life; the figure in the *dhuti-panjabi* has all but disappeared. Residual cosmopolitanisms continue to exist, though without a shared language or space for reflexivity. What I have been registering is the persistence of a world-view as angularity, resurfacing constantly, challenging us to consider afresh the contraries that were visible but never fully declared in its appearance.





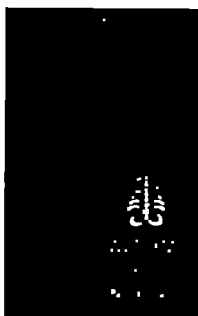
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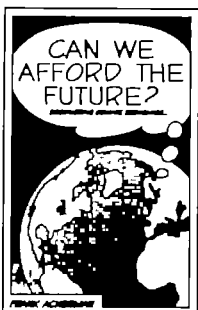
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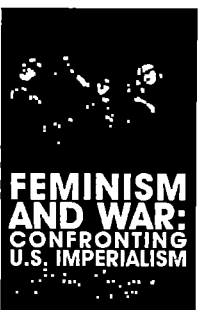
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## ASSET-STRIPPING THE STATE

### *Political Economy of Privatization in Latin America*

THE CRASH OF 2008 has been claimed, by right and left alike, to signal the end of the 'neoliberal' era. This may, then, be an appropriate moment to take a retrospective look, through the lens of comparative political economy, at one of the principal planks of its programme over the past three decades: the process of privatization. As with the liberalization of finance, the initiative came from the United States: the American airline industry was deregulated under the Carter Administration in 1978. In the UK, Thatcher launched a massive wave of state divestiture, in an economy where public enterprises had been a basic feature of the postwar period; a similar process followed in New Zealand. During the 1980s, however, despite the free-market orientation of many governments across the world, privatization remained a localized policy, restricted principally to Anglo-American economies. Yet by the early 1990s it had begun to be implemented on a global scale—to the extent that in 1993, the *Economist* could crow: 'a policy that in 1980 seemed adventurous to some and unworkable to everybody else is now economic orthodoxy worldwide.'<sup>1</sup>

By the end of 2002, a total of \$1.1 trillion worth of state assets had been sold, with the bulk of revenues going to industrialized economies; Europe led the way in terms of total value, though a larger number of transactions were completed in Asia.<sup>2</sup> But in the developing world, it was Latin America that sold more public assets by value than any other region, accounting for nearly 40 per cent of total proceeds outside the advanced capitalist states (see Table 1 overleaf). Not only massive in scale, the process was conducted with staggering speed: while the UK sold 20 firms in the space of 10 years, for example, Mexico sold 150 in the space

TABLE I: *Privatization in Developing Countries*

	<i>Number of transactions</i>	<i>Proceeds (in millions of us dollars)</i>
Latin America and Caribbean	1,270	90,274.96
Eastern Europe and Central Asia	5,634	78,132.05
East Asia and Pacific	417	40,398.46
South Asia	399	14,440
Middle East and North Africa	307	10,049.88
Sub-Saharan Africa	979	8,238.46
Total	9,006	241,533.81

Source: *Privatizations 1988 to 2003—Sectors: Infrastructure, Energy, Primary, Financial, Manufacturing and Services*, World Bank 2003

of six. With the exception of Chile, where large-scale state divestiture took place in the 1970s under Pinochet, privatization in Latin America was a phenomenon of the 1990s. Ownership and control of banks, telecommunications, oil, gas, petrochemicals and utilities such as water, transport and electricity, were sold as part of a privatization stampede that took in Argentina, Brazil, Mexico, Peru, Bolivia, Venezuela and Paraguay.

What explains the character of the privatization process—its speed and extent—in Latin America? In what follows, I will argue that the mass privatization of the 1990s was not conceived or undertaken as a pragmatic reorganization of state and market structures in response to genuine macroeconomic problems; rather, it was the result of a political-ideological decision to expel the state from business, irrespective of the sectors and markets involved, or of the need for a provider of public goods. External pressures certainly had a significant influence, as deeply indebted states enacted the structural reforms demanded by the ‘Washington Consensus’ in order to obtain new loans or the cancellation

<sup>1</sup> *Economist*, 21 August 1993. Throughout this essay, privatization is understood as the transfer of both ownership and control of a state asset to the private sector, rather than simply a sale of state assets

<sup>2</sup> Bernardo Bortolotti and Domenico Siniscalco, *The Challenges of Privatization*, Oxford 2004, p. 97.

of debts. But it was 'first and foremost a domestic political decision, driven by new 'distributional coalitions' that emerged from the balance of payments crisis in the 1980s, and who then sought to rebuild the state in their own interests.'<sup>3</sup> For the blanket privatizations that took place in Latin America have profoundly altered the core of the state, increasing the power of major domestic and foreign capital over the commanding heights of the economy.

### *SOEs and economic development*

Before mapping the process of privatization in Latin America and describing the formation of the new coalitions that drove it, it is first necessary to provide some assessment of the role of state-owned enterprises in economic development, both in Latin America and elsewhere, and the arguments offered in favour of privatization. State-owned enterprises have tended historically to be concentrated in infrastructure and basic industries, since the externalities involved affect the whole economic system: the state assumed the burden of providing a necessary input or capital good for a multipurpose use that exceeded its social cost in terms of subsidies. In many countries SOEs were established to promote technological advance; in Western Europe, for example, state infrastructure enterprises were created in the latter part of the nineteenth century as a strategy for reducing capital costs in the face of competition from Britain.<sup>4</sup> SOEs were particularly concentrated in natural resources—petroleum, gas and minerals—due to the large scale of operation, high risk, and a desire to ensure that the large rents obtained would accrue to the state. After the Second World War, state enterprises began to have a stronger presence in infrastructure—transport, electricity and telecommunications—along with steel, as a heavy industry with forward linkages, in Western Europe, Japan, East Asia as well as in less developed countries.

In Latin America, the development of state-owned enterprise took a variety of forms. In Mexico, Lázaro Cárdenas nationalized oil, electricity and the railways in the 1930s as part of his policy to promote economic

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<sup>3</sup> The term 'distributional coalition' is drawn from Mancur Olson, who defined it as a group 'oriented to struggles over the distribution of income and wealth rather than to the production of additional output': see *Rise and Decline of Nations*, New Haven 1982, p. 44.

<sup>4</sup> Robert Millward, *Private and Public Enterprise in Europe*, Cambridge 2005, p. 295.

development; a similar consideration was behind the nationalization of steel and oil in Brazil by Getúlio Vargas in 1941 and 1953 respectively. The nationalizations that took place in Mexico in the 1960s and 70s, meanwhile, were largely designed to rescue private enterprises in oligopolistic sectors from bankruptcy. In Brazil, on the other hand, the second wave of SOEs created in the late 1960s and 1970s—the aircraft manufacturer Embraer in 1969, the telecom monopoly Telebrás in 1972, Nuclebrás in nuclear energy in 1975—were part of a strong effort to promote heavy industry. The reasons for the nationalizations in Chile under Allende were more political and ideological—aimed at breaking the hold of the traditional oligarchy on the country's economy and society. But across Latin America as a whole, nationalization of public utilities, telecommunications, oil and mineral production was a common policy, pursued from the 1950s to the 1970s as a means of fostering industrialization and promoting the national private sector in the face of foreign competition. In Brazil, Argentina and Mexico this policy attracted foreign capital interested in exploiting a growing internal market. In several countries, the military played a key role in setting up SOEs, and national security concerns were an important ideological and political argument for nationalization. But with the exception of military industry in Brazil and Argentina, the involvement of the army did not affect the industrial composition of state intervention.

The developmental states that superintended industrialization in Latin America concentrated their investment efforts in heavy industry and infrastructure. This forms a significant contrast with the most commonly cited examples of successful postwar development—South Korea, Taiwan and Singapore—where actual state-owned enterprise, though significant, remained subordinate relative to private-sector industry. However, state participation in industrial investment was actually higher in these countries than in latecomers such as Brazil or Mexico, due to the dominant role played by state planning and pilot agencies—a fact that is commonly understated in contemporary institutionalist interpretations of economic development.

What, then, was the relative economic weight and role of state-owned enterprises, worldwide, before the launch of mass privatization? By the 1970s, public enterprise accounted for an average of 13.5 per cent of capital formation in countries for which investment figures were available, according to a broad statistical comparison carried out by the

IMF.<sup>5</sup> The comparison did not include the US, where the figure exceeded 16.5 per cent; nor of course the Soviet Union or China. Otherwise, among developed countries the greatest proportions were observed in Australia, Austria, Canada, Italy, France, Norway and the Netherlands, countries that had high economic growth, as well as in the UK, with a slower growth rate. In Germany and Japan the figures were lower, but never below 10 per cent. Average output and investment shares were very similar for developing countries in Asia, South America and Europe.

Table 2, overleaf, gives data on the shares in economic activity and gross domestic investment of state-owned enterprise for selected countries across two periods: the first covering 1978–85, when privatization was not yet a major policy plank, and the second for 1986–91, coinciding with the initial wave but preceding the much larger sequence of state divestitures in the 1990s. Among developed countries, only the UK and Japan saw a large reduction in the share of public enterprise in investment across the two periods—and in the case of Japan, the privatization of the enormous telecom enterprise NTT explains almost the whole decrease. Nevertheless, in almost all the countries shown, the public share of investment fell, due to macroeconomic decisions to cut domestic expenditure. In the developing world, the countries with the highest share of state-owned enterprise in GDP and investment were those with significant mineral resources: in Chile, for example, the retention of the CODELCO copper monopoly in state hands meant that even after the massive privatization of the 1970s, the share of state-owned enterprise in economic activity was higher than in Brazil.

### *Arguments for state sell-offs*

Broadly speaking, two arguments were put forward against SOEs: that they were a drain on fiscal resources, and that their operational processes were fundamentally inefficient. Concerning the relation between SOEs and government finances, World Bank figures indicate that during the 1970s, the overall deficit in public enterprise averaged 2 per cent of GDP, rising to 4 per cent in developing countries and 5.5 per cent in Asia. Table 3 (overleaf, facing page) shows some data on overall balances and net flows from government to public enterprise for selected

<sup>5</sup> R. P. Short, 'The Role of Public Enterprises. An International Statistical Comparison', in Robert Floyd, Clive Gray and R. P. Short, *Public Enterprise in Mixed Economies*, Washington, DC 1984.

TABLE 2: *Shares of Public Enterprise in Economic Activity and Gross Domestic Investment 1978–91 (as percentage of GDP)*

	<i>Economic Activity</i>		<i>Gross Domestic Investment</i>	
	1978–85	1986–91	1978–85	1986–91
Argentina	4.7	4.7	11.4	8.5
Austria	6.5	13.9	—	6.2
Bolivia	13	13.7	26.9	26.9
Brazil	5	8.6	26.3	15.2
Chile	13.6	12.9	16.2	12
France	10.7	10	15.2	11.6
India	10.8	13.8	42.5	39
Indonesia	15.4	14.1	14.7	10.3
Italy	6.7	5.6	12.2	12.9
Japan	—	—	10.2	5.5
Korea	9.6	10.3	26.2	15.3
Mexico	12	11	26.8	14.3
Peru	8.5	5.3	14.4	7.7
Taiwan	—	—	29.5	17.7
Thailand	—	—	15.6	13.5
UK	5.9	3	15.1	5.6
Venezuela	23.1	23	40.7	53.6

Source: World Bank, *Bureaucrats in Business: The Economics and Politics of Government Ownership*, Washington, DC 1995.

developing countries, for the same two periods shown in Table 2. The first thing to note is that between 1978–85, countries without a large mineral-resource base—Argentina, Brazil, Korea, Taiwan, Thailand—had an overall deficit, and received significant transfers from the state budget. This deficit largely corresponded to a concerted effort to foster investment in industry and public utilities—a fact noted even by a 1984 IMF report on public enterprises.<sup>6</sup> In the majority of countries the deficit

<sup>6</sup> Short, 'The Role of Public Enterprises'. Much less ideological than the studies published by the World Bank and IMF in the 1990s, this report accepts that the existence of a deficit is not necessarily a problem in itself.



TABLE 3: *Public Enterprise Overall Balances before Transfers and Net Financial Flows from Government to Public Enterprise (as percentage of GDP)*

	<i>Balances before Transfer</i>		<i>Net Financial Flows</i>	
	1978-85	1986-91	1978-85	1986-91
Argentina	-4.3	-2.6	2.5	2.7
Bolivia	5.8	6.8	-3.4	-8.5
Brazil	-5.9	1.7	1.4	-0.8
Chile	6.7	9.8	-7.1	-9.9
India	-	-	0.3	-0.5
Indonesia	-	-	4.5	1.1
Korea	-3.8	0.7	0.6	-0.3
Mexico	2.3	2.5	-3	-2.6
Peru	1.9	1	-3.8	-2.6
Taiwan	-3.1	-0.6	-	-
Thailand	-2.4	-0.3	0.2	-0.3
Venezuela	9	9.7	-12.3	-11.9

Source: World Bank, *Bureaucrats in Business*

was financed in similar proportions by government and banks on the one hand, and foreign borrowing on the other. Some countries, such as Brazil or Mexico, pursued a policy of over-borrowing through SOEs, since the share of these enterprises in the external debt far exceeded their share of overall investment. Brazil's SOEs, for example, accounted for 31 per cent of external debt in 1978-85, compared to 26 per cent of domestic investment in the same period; the relevant figures for 1986-91 are 22 per cent and 15 per cent.<sup>7</sup>

The second point that emerges from these figures, however, is that a marked shift took place in 1986-91—prior to the mass privatization wave of the 1990s. With the exceptions of Argentina, Taiwan and Thailand, the overall balance of public enterprise in this sample of countries

<sup>7</sup> Data from World Bank, *Bureaucrats in Business: The Economics and Politics of Government Ownership*, Washington, DC 1995.

was positive, and in all but two cases the net flow of resources to the exchequer was also positive—totalling more than 8 per cent of GDP in the cases of Bolivia, Chile and Venezuela. This runs counter to one of the main arguments offered in favour of privatization—that SOEs were a fiscal burden. As the figures in Table 3 indicate, the argument lacks solid empirical foundations; indeed, in the majority of cases for which data is available, before the privatizations of the 1990s, transfers from state treasuries to public enterprises were meagre or even negative.

There are two further deficiencies in the fiscal argument for privatization. Firstly, it fails to recognize that the debt crisis of the 1980s and the macro-instability of the 1990s, in so far as these affected developing countries and Eastern Europe, were not caused by internal fiscal imbalances, but rather by external shocks that forced huge transfers—triggering inflation and deep cuts in the public sector. Secondly, the notion that privatization would be a cheaper option does not take into account the costs of adjustment before privatization, and those of monitoring and regulating contracts according to government specifications.

The other principal argument generically put forward for privatization centres on efficiency, assuming that SOEs are intrinsically inefficient. The main thrust of this critique relates to problems of competition and market structure. Andrew Glyn has argued, however, that in the British case, there is no evidence of increased efficiency after privatization; higher productivity was achieved during the rationalization that preceded state divestiture, but this was not necessarily maintained thereafter—representing, in other words, ‘catch-up rather than a permanent change of pace’.<sup>8</sup> This observation challenges the general assumption that private ownership in itself improves efficiency.

Another strand of pro-privatization theory argues that, while other solutions to the problem of efficiency may be possible, they remain politically unviable due to strong resistance from the SOEs in question, colluding with vested interests; privatization is offered as the simplest answer. But while this may be true in weak states, it is certainly not the general case. Moreover, the phenomenon of ‘state capture’ by vested interests has nothing to do with state-owned enterprise in itself, as Bob Rowthorn and Ha-Joon Chang observe: ‘it is not only agents in the public sector who

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<sup>8</sup> Andrew Glyn, *Capitalism Unleashed: Finance, Globalization and Welfare*, Oxford 2006, p. 39.

can block structural change but also private-sector agents, because what matters here is political influence and not ownership *per se*.<sup>9</sup> These theoretical weaknesses in the case for privatization should be borne in mind when assessing the actual processes by which state divestitures were carried out worldwide. For in practice, as we will see, the paths taken varied more widely than privatization theory would generally be willing to acknowledge.

### *Routes to privatization*

Three distinct models can be identified in state approaches to privatization over the past period: the shock therapy applied in the Comecon countries; the 'discretionary' path taken by many OECD countries, especially in Europe and Japan; and the Asian road. We will examine these in reverse order. Firstly, in Korea, India, Taiwan and China reductions of the share of state enterprises in the economy were the result not of massive state divestiture, but rather of rapid growth of the private sector, fostered by public investment. In the PRC, the policy adopted was to modernize the large state enterprises, to privatize small enterprises in non-strategic sectors, and to stimulate township and village enterprises (TVEs), which though public are classified as non-state. The huge growth of private investment in China—whether national, international, or in joint ventures with SOEs—explains the relative decline of the role played by the latter. However, these still occupy the commanding heights of the economy. In India, the process of privatization altered the state's role in the economy very little, and the same is true in a number of other countries. A further important point to note is that in Asia, despite the opening of the financial sector to foreign banks, the financial system has remained strongly concentrated in public banks and large domestic groups, with overseas banking houses participating only in a minor way. Infrastructure has also remained public, with the exception of telecoms. Privatization has not so far changed this significant feature of Asian capitalism.

Secondly, for many OECD countries, while the circumstances that motivated the creation of state-owned enterprises after the Second World War may have changed—developments in information technology, the emergence of new and less capital-intensive industries—the reasons for

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<sup>9</sup> Bob Rowthorn and Ha-Joon Chang, 'Public Ownership and the Theory of the State', in Thomas Clarke and Christos Pitelis, eds, *The Political Economy of Privatization*, New York 1993, p. 61.

maintaining certain sectors under state control did not suddenly vanish in the 1990s. In the Eurozone and Japan, even large-scale privatization did not do away entirely with state control of privatized firms, especially in strategic sectors such as aerospace and defence, oil and gas, electricity, telecoms and transport. In *The Challenges of Privatization*, Bortolotti and Siniscalco note that from 1977 to 1999, only 47 per cent of the 2,459 deals reported in 121 countries involved the sale of the majority of stock.<sup>10</sup> Looking at OECD economies, the state retained majority ownership in 81 per cent of the privatized companies in Austria, 100 per cent in Finland, 40 per cent in Germany, 50 per cent in Japan and 33 per cent in Sweden—as against a figure of zero for Mexico. In many OECD countries, privatization was combined with state maintenance of discretionary power over privatized companies through golden shares—allowing a separation of property rights from control rights, *pace* modern institutionalist economists. Shareholdings of this kind confer influence over the choice of management and effectively grant a veto on transactions. They have been used—and still are—in many countries, including Britain, to protect national interests in the fields of energy, utilities, aerospace and national airlines.<sup>11</sup>

Thirdly, there has been the shock therapy approach. This essay will argue that the massive privatizations that took place in Bolivia, Peru, Mexico, Argentina and Brazil are similar in both extent and speed to those in Eastern Europe and the former USSR after 1991. A World Bank survey observed with regard to the ‘transition economies’ of Eastern Europe, though the remark could equally be applied to Latin America, that ‘the decision on what to privatize was perfunctory: as much as possible’.<sup>12</sup> One could also add, ‘as fast as possible’. This radical route was perceived as a unique opportunity to launch what the World Bank referred to as ‘irreversible’ reform.<sup>13</sup> In Latin America as in Eastern Europe, commitments

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<sup>10</sup> Bortolotti and Siniscalco, *Challenges of Privatization*, p. 97.

<sup>11</sup> For example, they were used by the UK when the Kuwait Investment Office began building up a stake in BP, and recently by the US against China, Italy and France to stave off bids for public utilities.

<sup>12</sup> Roberto Zagha and Gobind Nankani, *Economic Growth in the 1990s*, Washington, DC 2005, p. 167.

<sup>13</sup> There is, however, a basic contradiction in this kind of privatization: investors themselves—in the main, financial groups—will not seek to acquire anything ‘irreversibly’ or subject to any strong regulation; thus in order to sell quickly and on a massive scale, the governments involved have to offer extraordinarily attractive conditions, often in the form of generous incentives or ‘give-away prices’

to 'irreversibility' were designed to stress the impossibility of a return to the earlier dispensation; privatization was in that sense also an ideological tool serving to distinguish current governments from preceding regimes associated with inflation, statism or authoritarian rule. We will map the course of privatizations through the major Latin American countries in order to illuminate the processes by which the 1990s wave has restructured capitalist extraction in the region, as large national economic groups have consolidated their stakes, while new domestic and international consortia and Spanish and American multinationals have become major owners in a variety of sectors.

### *Mapping divestitures*

Chile was the first country to carry out mass privatization—the divestitures under Pinochet providing a foretaste of the structural changes implemented across the continent two decades later. In the first wave, 259 firms that had been nationalized by Allende were re-privatized; 65 per cent of the assets in question were distributed among just eight economic groups. In the second phase, launched after 1985 with the support of CORFO, the state development agency, about 200 firms in manufacturing and utilities were sold off. By the end of 1989 all important state-owned enterprises had been privatized with the exception of the CODELCO copper monopoly, which remained in state hands, and was a valuable source of revenue for the military regime's arms purchases.<sup>14</sup>

After Chile, Mexico was where privatization next gathered momentum. The process began under the presidency of Miguel de la Madrid (1983–88), though it was initially centred on smaller state firms, and garnered relatively little revenue. It intensified dramatically under President Carlos Salinas (1989–94), who in October 1990 created a 'Disincorporation Unit' to oversee divestitures. By the end of his term, the number of state-owned enterprises had been reduced to 80, from over 1,000 in 1983. Among the assets divested were not only two national airlines, the state telecommunications monopoly and television channel, public utilities, large industrial concerns—steel and sugar mills, truck plants, mines—but also, in the year spanning from June 1991 to July 1992, 18 banks that had been nationalized in the wake of the 1982 debt crisis. Domestic firms were the principal beneficiaries, as financial houses and industrial

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<sup>14</sup> Hector Schamis, *Re-Forming the State, The Politics of Privatization in Latin America and Europe*, Michigan 2002, chs 2–4.

concerns diversified their holdings across the economy. The process reached its peak in 1990–92, and by 1995 had brought in over \$20 bn in revenue (see Table 4, below), while reducing the state's share of GDP by almost a third. By the time Salinas's successor, Ernesto Zedillo, took office in 1995, there was little left to privatize—except the state oil company Pemex, over which struggles continue today.

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TABLE 4: *Revenues from privatization*

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Brazil	33.11
Argentina	32.48
Mexico	22.06
Peru	5.26
Bolivia	2

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Figures in billions of 1995 US dollars. Source: World Bank, *Privatization Database*, 2000

In Argentina, divestiture was set in motion by Carlos Menem, who was elected on a populist platform in 1989, but once in office abruptly reversed course to implement austerity measures and one of the world's most rapid privatization processes. Initially carried out by presidential decree, to circumvent Congressional resistance, Menem's privatizations unfolded in three phases. Between 1989 and 1993, the state airline, telephone monopoly, highway toll concessions, oil and electricity companies were sold, raising as much as \$10 bn in cash revenue—though in the case of Argentina, many of the privatizations involved the purchase of debt-reduction instruments. The pace of divestitures slowed considerably in the mid-1990s, but then revived in 1997–98, towards the end of Menem's second term, as sales of the post office and 33 state-owned airports were completed. Foreign investors played a key role in the privatization process, accounting for almost 60 per cent of revenues; US capital purchased assets in a range of sectors, while Spanish and Chilean investment was concentrated in telecommunications, electricity and transport.<sup>15</sup> The position of domestic conglomerates was also considerably strengthened, as sales of state assets enabled them to

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<sup>15</sup> Luigi Manzetti, *Privatization South American Style*, Oxford 1999, pp. 120–1.

purchase competitors and consolidate their hold on key sectors of the economy. Over the decade from 1989, total revenues calculated in 1995 dollars amounted to \$32 bn (see Table 4).

The country that generated the largest revenues from privatization, however, was Brazil—over \$33 bn. Though privatization began later here than elsewhere, it accelerated formidably towards the end of the decade. State divestiture—*desestatização*—had formed part of the programme announced by Collor de Mello after his election in late 1989, and privatizations of state-owned steel mills and a petrochemical concern were carried out during his tenure and that of his successor, Itamar Franco. But it was only with the election of Fernando Henrique Cardoso in 1994 that privatization moved to the top of the agenda. Soon after his inauguration, Cardoso set up the Conselho Nacional de Desestatização to supervise divestitures, and quickly removed the remaining constitutional obstacles to selling public enterprises. Alongside further sales in industry—steel, petrochemicals—the largest revenues came from mining, with the auction of Companhia Vale do Rio Doce in 1997; from utilities, where several of the electricity companies that made up Eletrobrás were sold over 1995–98; and from telecommunications, where the 1998 auctions of the various components of Telebrás netted the government almost \$20 bn. By the end of Cardoso's first term in late 1998, only Petrobrás, the state oil company, remained in government hands. As in Argentina and Mexico, domestic groups—including pension funds—were the main beneficiaries, while foreign investors were involved to a much lesser extent than elsewhere in Latin America.

Though it generated far less revenue than in Argentina, privatization in Peru arguably unfolded according to a comparable pattern, in that it was pushed through by a president elected on a populist platform who, once in office, immediately performed a U-turn to implement austerity measures—known as the 'Fujishock', after President Alberto Fujimori. Like Menem, Fujimori initially enacted liberalization by decree; though unlike his Argentine counterpart, Fujimori dealt with opposition by dissolving congress and suspending the constitution in 1992. In further contrast to the Argentine experience, it was only towards the middle of the decade, with constitutional obstacles and resistance from organized labour safely overcome, that Fujimori's privatizations took off: the principal earners were telephone companies Entel and Telefónica del Perú, sold in 1994 and 1996 respectively, and the electricity companies sold in

the same period; mining and hydrocarbons concerns were also divested starting in 1992, the state airline was sold in 1993, and all state banks had been sold by early 1995. The proceeds totalled over \$5 bn—the overwhelming majority provided by overseas investors, principally from Spain, the US, Chile and Canada.

Bolivia presents a somewhat different case. Several smaller state firms were privatized under President Jaime Paz Zamora (1989–93), but the most substantial privatizations were carried out by his successor, Gonzalo Sánchez de Lozada, elected in 1993. They took the form of ‘capitalization’: sale of 50 per cent shares in state firms to investors, with another 45 per cent to be deposited in a private pension system, the Fondo de Capitalización Colectivo, and the remaining 5 per cent allocated to employees of state firms. Thus none of the revenue was to go to the national treasury, but was rather pledged as investment by the winning bidder. The relevant legislation was approved early in 1994, and the principal sales went through in the following two years: electricity, telecommunications and the state airline in 1995, trains in 1996. The most valuable of the state monopolies, however, was the oil and gas company, YPFB; a new hydrocarbons law of 1996 divided it into four parts, three of which were ‘capitalized’ with investments from Amoco, Enron, Shell and a Spanish–Argentine consortium. However, the capitalization system was abandoned under Hugo Banzer (1997–2001); further state assets were simply sold off in mining, oil and gas, and concessions granted to foreign consortiums to run water and sewage supplies—their drastic tariff hikes the cause of the Cochabamba ‘Water Wars’ in the early 2000s. The cancellation of these contracts proved to be the start of an anti-neoliberal wave in Bolivia, which propelled Evo Morales to power in 2006 and brought the re-nationalization of several divested enterprises.

### *Motivations*

Having surveyed the implementation of state divestiture in several countries, we now need to seek its reasons: what motivated mass privatization in Latin America? As can be seen from the World Bank data in Table 2 (above), SOEs were not a chronic source of inefficiency or a permanent burden on Latin America’s treasuries. Nor can the inefficiency thesis account for the fact that in countries where state-owned enterprise had a high profile, such as Brazil and Mexico, economic growth was



higher than in those where private enterprise had a more prominent role. It is true that substantial transfers to SOEs took place in the 1970s in countries without a large mineral-resource base—principally due to price competition, tariffs and high levels of investment. But during the 1980s, these transfers had already been cut back in the majority of the region's states, as public-enterprise investment contracted sharply. Exchange-rate devaluations, high interest rates on both external and domestic debt, capital flight and economic recession triggered a rapid expansion of public debt—effectively resulting in the transfer to creditors of astonishing proportions of GDP. The growing fragility of the public sector in this decade, then, should be ascribed mainly to macroeconomic factors.

Two further economic arguments for mass privatization were widely invoked in the Latin American case. The first was that privatization was an expedient way to attract the new loans and external investment needed to circumvent the hard-currency shortage that was the region's fundamental macroeconomic problem; and, further, that state divestiture was politically essential to obtaining IMF and World Bank financial packages. But while this might convincingly be applied to Africa, where privatization indeed began under direct IMF pressure and where the World Bank was the main source of capital flows, such a view overstates the external pressures operating in Latin America. Here, as we have seen, privatization was launched in earnest in the 1990s, at a time when, after the rapid exodus of the late 1980s, flows of capital had again turned positive. What enabled this reversal was the Brady Plan, a scheme for restructuring debt to which Mexico first signed up in 1989–90, Venezuela in 1990, Argentina and Brazil in 1992, Bolivia in 1993, Ecuador in 1994 (Peru was an exception in that its Brady Plan of 1997 came after the bulk of its privatizations had been carried out). Many Latin American countries, then, had begun to receive new flows before launching the process of mass privatization. And while divestiture was certainly an important plank in the agenda promoted for the region by the US Treasury, IMF, World Bank and Inter-American Development Bank, no direct conditions were attached to refinancing deals or loans, let alone an enforced privatization programme.

The second argument maintained that privatization was required to cut external and internal public debt, in order to meet the fiscal austerity goals of the IMF adjustment programme for indebted countries. In

Argentina, for example, the alleged reason for mass privatization was to achieve an IMF Extended Fund Facility, a restructuring of debts and access to the Brady Plan.<sup>16</sup> Privatization here involved a large number of debt-equity swaps, in which creditor banks were given the option of using bonds to purchase privatized assets.<sup>17</sup> In Brazil, where the main argument offered was likewise the need to cut public debt, comparable debt-equity swaps were also used extensively. But, as even such an enthusiastic advocate of privatization as the World Bank warned, there were limits to the effectiveness of this recipe for cutting debt. Privatization is not a cheap policy for the state: the 1990s wave of divestitures in Mexico, for example, involved the transfer of company liabilities to the state, renegotiation of existing labour contracts, high tariffs, and the offer of special incentives on income tax.<sup>18</sup> Moreover, while the 1980s privatizations in Mexico had coincided with high fiscal deficits, by the time the second wave began, there was no fiscal deficit to cut, but rather a surplus.<sup>19</sup>

The most decisive counter to the notion that privatization was necessary to slash external debt, however, was what took place in the wake of the divestitures. Privatization in Argentina, Brazil and Mexico placed Latin American equities on the world financial market, attracting a high volume of both direct and portfolio investment. These inflows allowed the countries involved to launch stabilization plans based on fixed exchange rates. In all of them, appreciation of the real exchange rate coupled with trade liberalization brought about a huge current-account deficit, financed by loans. Instead of shrinking the debt, privatization was used to gain collateral for new loans, fuelling a borrowing spree similar to what happened in the 1970s (see Table 5, opposite). In Brazil and Argentina, the increase in foreign debt over the 1990s far outweighed the savings created by debt-equity swaps.

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<sup>16</sup> The IMF programme for Argentina in 1988–89 recommended structural reforms including privatization and preferential terms for international banks. See Mario Rapoport, *Historia económica, política y social de la Argentina*, Buenos Aires 2005.

<sup>17</sup> Ernest Bartell, 'Privatization: The Role of Domestic Business Elites', in Werner Baer and Melissa Birch, eds, *Privatization in Latin America: New Roles for the Public and Private Sectors*, Westport, CT 1994.

<sup>18</sup> Miguel Ramirez, 'Privatization and the Role of the State in Post-ISI Mexico', in Baer and Birch, *Privatization in Latin America*.

<sup>19</sup> For discussion of this aspect see Maria Victoria Murillo, 'Political Bias in Policy Convergence: Privatization Choices in Latin America', *World Politics*, vol. 54, no. 4 (July 2002), pp. 462–93.

TABLE 5: *Disbursed Total External Debt in Latin America (balance at year end in million US dollars)*

	1990	1994	1999
Argentina	62,233	85,656	144,657
Bolivia	3,768	4,216	4,574
Brazil	123,439	148,295	241,468
Chile	18,576	21,768	34,167
Mexico	106,700	139,818	167,500
Peru	22,856	30,392	27,966
Venezuela	35,528	41,179	30,619
Latin American Total	448,231	562,830	759,085

SOURCE: ECLAC, *Statistical Yearbook*, 2000

### *Emergence of the new coalitions*

Since the main causes that triggered the debt crisis of the 1980s—the huge rise in US interest rates and the severance of external credit—were exogenous to the region and had vanished by the early 1990s, Latin America's prospects for attracting new investments did not require large-scale state divestitures to cut external debt. Rather than being a necessary precondition for the resumption of economic growth, mass privatization was in fact driven by the politics of financial liberalization. The debt crisis of the 1980s had generated two symmetrical responses: a public bail-out of the indebted private sector, favouring large groups, through the nationalization of private debt—Argentina, Brazil, Chile and Mexico were the most striking cases in the early 1980s—and a private accumulation of dollar-denominated assets in off-shore locations, normally with the same banks that held the claims to public debt. The collapse of the public sector also brought a collapse in public investment, government purchasing, and the subsidies and transfers to production that were historically of paramount importance to private enterprise. New subsidies were put in place to protect private debtors from exchange-rate risk. Yet the effective socialization of external debt was not sufficient to

encourage big business to resume investment, and capital flooded out of Latin America until the end of the decade.

The result was a significant increase in the leverage of financial capital over productive capital. In the words of Stephan Haggard and Sylvia Maxfield, a balance-of-payments crisis in an open financial regime:

will strengthen the political position of those sectors that are holders or generators of foreign exchange. These include liquid-asset holders, the export sector, private foreign creditors and investors, foreign financial intermediaries, and multilateral financial institutions. This 'coalition' does not need to organize or mobilize politically to press its case, though it typically does. Its power also resides in the politically compelling threat of exit or continued unwillingness to lend or invest.<sup>20</sup>

The high interest rates of the 1980s formed the basis for an unprecedented enrichment of a new financier class of bondholders. Their freshly minted riches made it possible to launch a massive round of 'accumulation through encroachment' on state assets.<sup>21</sup>

Financial deregulation offered the holders of dollar assets opportunities to invest this dollarized wealth in cheap, subsidized and strong state assets. The capital flight of the 1980s began to be reversed by the close of the decade—in large part due to the Brady Plan for debt conversion, but also because privatization deals were an attractive channel for domestic groups to repatriate capital.<sup>22</sup> Indeed, there is a strong connection between waves of privatization and flows of domestic capital. The latter half of the 1990s, in which the second major bloc of privatizations took place, saw a combination of inward FDI, new loans and capital flight. Benu Schneider has suggested this is evidence of 'round tripping' in which external debt and FDI financed capital flight, while resident

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<sup>20</sup> Stephan Haggard and Sylvia Maxfield, 'The Political Economy of Financial Internationalization in the Developing World', in Robert Keohane and Helen Milner, eds, *Internationalization and Domestic Politics*, Cambridge 1996, p. 215.

<sup>21</sup> The distinction between 'accumulation through expansion' and 'accumulation through encroachment' is taken from Prahat Patnaik, 'The Economics of the New Phase of Imperialism', paper presented at the Ankara conference on 'Acts of Resistance from the South against Globalization', 5–7 September 2005.

<sup>22</sup> Though it should be noted that the boundary between resident and foreign capital has been blurred: 'domestic business elites in many Latin American countries have learned to behave as international investors after many years of capital flight': Bartell, 'Privatization: The Role of Domestic Business Elites', p. 86.

capital outflow financed capital inflow.<sup>33</sup> There was a particularly high level of capital flight from Latin America in 1998—perhaps as much as \$50 bn—which corresponds to the great contraction in financial markets after the Asian, Russian and Brazilian crises; but simultaneously with this, there were significant sales of public assets.

The balance-of-payments crisis of the 1980s not only shifted economic power towards the owners of hard currency and forced a severe contraction in state budgets; it also coincided with a crisis of the developmental state across much of Latin America—ideologically associated in many countries with military domination of civil society. As military regimes fell in Brazil, Argentina, Bolivia and Peru, or suffered actual military defeat, as in the Malvinas War, liberal thinkers sought to emphasize the connection between public enterprise and authoritarian rule, with privatization portrayed as both an economic and political rupture with the past. Nationalist currents seeking to defend developmental institutions were unable to counter this view, while alternative visions of a ‘social state’ that might succeed the developmental model were stillborn: the agents who might have constructed it had been drastically weakened by the inflation and unemployment of the 1980s, as working-class wages and union power declined.

The political arguments for a new coalition were strengthened in Brazil, Argentina, Bolivia and Peru by episodes of hyperinflation in the 1980s, which were unsuccessfully tackled by nationalist administrations—reinforcing the position of those pushing for a new economic strategy. Technocrats connected with multilateral institutions and American academic establishments moved into the economic ministries of almost all Latin American countries over the course of the late 1980s and early 1990s, forming a bridge between government and major national business and financial groups, as well as connections to multilateral agencies and the media. Menem’s first economic team, for instance, was drawn entirely from the ranks of the Bunge & Born corporation, and Finance Minister Domingo Cavallo brought in dozens of technical staff to run the Argentine economy.

If the task of this cohort was to convince domestic and foreign business groups that a ‘great turnaround’—as the neoliberal policy was termed

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<sup>33</sup> Benu Schneider, *Resident Capital Outflows: Capital Flight or Normal Flows? A Statistical Interpretation*, London 2003.

in Venezuela at the time—was under way, the newly converted, such as Menem, Cardoso and Fujimori, were responsible for convincing the populace in general, and organized labour in particular, that privatization was indispensable in order to provide new resources for social spending and to achieve sustainable growth.<sup>24</sup> But for political rulers, privatization was above all a means to construct new alliances around the powerful economic groups that had emerged from the 1980s conjuncture. In that sense, the decision to privatize so rapidly and extensively was, in the case of politicians from ruling parties—the PRI in Mexico, the Partido Justicialista in Argentina, Acción Democrática in Venezuela—a way to demonstrate a distance from past affiliations, and a strong commitment to these new alliances.

### *Family resemblances*

Closer examination of the agents involved will give some indication of the common characteristics of these alliances across Latin America. In the case of Argentina, one of the distinguishing features of privatization was the concentration of divested assets in a few national conglomerates that had been the main beneficiaries of the old industrial policy. These groups, the main holders of public debt, participated extensively in the privatization process. Their privileged position and use of devalued currency allowed them to consolidate and extend their existing power, while also building networks with foreign groups and external creditors. For as Luigi Manzetti has observed, 'since the divestiture process outlined a payment method that included foreign debt paper, purchasing consortia often included a creditor bank and/or an international firm operating in the area to be privatized and a large domestic firm belonging to one of the main economic groups'.<sup>25</sup> Further important participants in the process were the Peronist unions: when Menem 'privatized the very same companies nationalized by Peron fifty years before, the Peronist unions not only accepted privatization, but also became private entrepreneurs as owners of public utilities, trains, cargo ships and pension funds'.<sup>26</sup> A significant portion of the industrial working class was thereby integrated with financial interests, seeking to

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<sup>24</sup> In Mexico, for example, privatization was justified by the need to finance the National Solidarity Programme. See Murillo, 'Political Bias in Policy Convergence', p. 484.

<sup>25</sup> Manzetti, *Privatization South American Style*, p. 134.

<sup>26</sup> Murillo, *Labour Unions, Partisan Coalitions and Market Reforms in Latin America*, Cambridge 2001.

protect its assets against the continuous depreciation of the exchange rate, and therefore as committed as big business was to Menem's policy of peso-dollar convertibility.

A comparable strategy with regard to labour was in evidence in Mexico under Salinas, who won support for privatization from the unions by offering them concessions to join the process of *desincorporación*. Both Menem and Salinas have, indeed, been described as seeking to restructure 'the populist metropolitan policy coalition' by selecting

winners and losers within both the business community and the labour movement... [They] made concerted efforts to co-opt key union leaders and sectors and make them partners in the economic reform process... These unions tended to be in the more competitive industrial and export-oriented sectors of the economy. In these sectors a new unionism emerged, which emphasized firm-level industry-labour collaboration, worker ownership of stock in privatized firms, and the decentralization of employer-worker negotiations. Their leaders were often rewarded with government positions or were visible interlocutors with state officials in the reform process.<sup>27</sup>

The key relationship Salinas forged, however, was with big business—sealed by his adoption of a strategy of further opening up the capital account, reversing capital flight and privatizing the large SOEs and banks.<sup>28</sup> The major financial groups whose assets had been nationalized in 1982 had demanded privatization as compensation for an overvalued exchange rate. While leading domestic private financial groups played a decisive role in liberalization policy, foreign banks were also crucially involved in the divestiture of state banks, eventually acquiring a dominant presence in the banking sector. This was a direct result of the Mexican policy, enacted under NAFTA, of opening up the financial sector—banking, securities and insurance—after 2000.<sup>29</sup>

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<sup>27</sup> Edward Gibson, 'The Populist Road to Market Reform: Policy and Electoral Coalitions in Mexico and Argentina', *World Politics*, vol. 49, no. 3 (April 1997), pp. 358–9.

<sup>28</sup> As Hector Schamis notes, 'the strategic quality of this alliance became explicit in February 1993, when at a dinner with 27 of the country's wealthiest men... Salinas asked each of them to donate \$25 million for the 1994 electoral campaign'. *Re-Forming the State*, pp. 121–2.

<sup>29</sup> The initial phase of protection demanded by the Mexican government was 20–30 years, but it compromised under 'intense pressure from US financial and banking companies, which originally wanted all restrictions removed within one year': Ramirez, 'Privatization in Post-ISI Mexico', p. 35.

In Brazil, by contrast, though privatization was strongly supported by domestic business groups, it was not a policy they devised in response to high inflation or macroeconomic problems; rather, it was essentially pursued by the Collor and Cardoso governments for political and ideological reasons. Nevertheless, it was central to meeting the interests of domestic and internationalized financial groups, and for establishing strong connections with them. As elsewhere in Latin America, privatization in Brazil was led by mixed consortia, setting up new joint ventures. *Desestatização* empowered new economic groups that had emerged from financial liberalization, but also domestic conglomerates that had historically been important clients of public enterprise—notable above all in the steel and petrochemical sectors.<sup>30</sup> An important characteristic specific to Brazilian privatization was the involvement of pension and mutual funds: for example, the consortium that purchased Companhia Vale do Rio Doce in May 1997 included not only the steel company CSN, the offshore financiers of Opportunity Asset Management and the US-based NationsBank, but also four Brazilian pension funds (Previ, Petros, Funcel and Funesp).<sup>31</sup>

In all cases, the new role played by major national groups was closely bound up with that of foreign investors—particularly in banking, telecommunications and energy—since consortia merging the former with international investors and multinationals dominated the privatization process. Given the high value of sales of public assets in energy, telecoms and banking, and strong representation of multinationals in deals in these sectors, it comes as little surprise that mass privatization increased the share of foreign capital in Latin American economies. But the particular feature of this wave of internationalization was that major Spanish financial and industrial groups took the lead, across the continent—most notably BBVA and Banco Santander in banking; Endesa, Unión Fenosa and Iberdrola in the energy sector; Repsol in oil and gas; Telefónica de España in telecommunications. The strategic goal of these groups was to increase the stock value of their enterprises in order to compete with large European groups in the Spanish domestic market for public utilities—a strategy strongly supported by the Spanish government, and greatly facilitated by the massive and cheap opportunities opened up in Latin America.

<sup>30</sup> See Baer and Villela, 'Privatization and the Changing Role of the State in Brazil'.

<sup>31</sup> Manzetti, *Privatization South American Style*, p. 213.



*Winners and losers*

As in the last quarter of the nineteenth century, when trade and financial integration generated a tremendous cleavage in peripheral countries, favouring cosmopolitan interests and their activities, the financial integration of the last decade of the twentieth century caused a gap to emerge between existing coalitions of interests and a new set of cosmopolitan and connected groups. These new coalitions, fronted by technocrats and dominated by financial groups which emerged from the balance-of-payments crisis of the 1980s, demanded privatization as the programmatic core of a shift in economic power from productive to finance capital.

The prime beneficiaries of privatization in Latin America were, as we have seen, sectors of domestic capital, in consortia with foreign investors attracted by low security prices and high rates of return in 'emergent economies'. In Argentina and Mexico, divestitures created new political alliances around the central government: big business, especially the financial groups, joining with the old hegemonic party—Peronist or PRI—and particular sectors of labour. A slightly different configuration obtains in Brazil, which lacks an equivalent party; but the PT, in power since 2002, has been entirely content to preserve the achievements of Cardoso. These new distributional coalitions have completely changed the landscape in which the relationship between state and business had previously been forged, during the years of high growth—to the advantage of the latter, in a macroeconomic environment where finance capital holds sway.

This has been above all a political achievement. We have seen how economic arguments cannot explain the systematic, almost synchronized adoption of privatization policies across Latin America. The primacy of ideological motivations can be seen in the statements of several of the key players themselves. For example, the head of COPRI, the body charged with overseeing privatization in Peru, said in June 1992, 'we are going to sell, no matter what the price'. The same year, Argentina's Finance Minister Domingo Cavallo made clear the political stakes of the divestiture programme: 'Menem is changing all that Peron did after the Second World War'.<sup>32</sup> But while ideas were essential to the construction of consensus around the new interest groups, it is important also to register the fact that they could not have prospered without the material

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<sup>32</sup> Both quoted in Manzetti, *Privatization South American Style*, pp. 275, 71.

support provided by the macroeconomic conjuncture, dominated in turn by the US economy and the choices of its policymakers.

A full reckoning of the outcomes of the privatization process would require lengthier treatment than is possible here. Nonetheless, it is clear that while domestic elites reaped handsome profits, the wave of divestitures of the 1990s resulted in huge surges in unemployment, as state enterprises were downsized and hundreds of thousands of people were thrown out of work, to join the growing numbers of Latin Americans toiling in the 'informal sector'. Inequality of income increased across much of the continent during the neoliberal decade—rising most dramatically in Bolivia, from a Gini coefficient of 0.42 in 1991 to 0.6 in 2002; in the 12 years from 1992 to 2004, Argentina's coefficient rose from 0.45 to 0.51, while Peru and Venezuela experienced smaller increases over roughly the same period.<sup>33</sup> Nor did neoliberal 'reforms' bring significant benefits to the economy as a whole in terms of growth: the late 1990s and early 2000s were a period of overall stagnation, and the short uptick from 2004 can be ascribed in large measure to high commodity prices. The current downturn, meanwhile, has severely cut growth rates in Latin America, as the liberalization of the 1980s and 90s left its economies highly vulnerable to sudden withdrawals of capital and external market shocks. The wave of centre-left governments that have come to power in Latin America in the first decade of the twenty-first century has been interpreted as signalling a weakening of neoliberalism's grip on the continent.<sup>34</sup> Yet—with a few notable exceptions—a commitment to revisit the divestitures of the 1990s has thus far been lacking. Arguably, however, it would be projects of this kind that would provide the clearest indication of a fundamental break with the neoliberal model.

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<sup>33</sup> Figures from World Bank database; figures for Peru: 0.44 in 1990, 0.52 in 2003; Venezuela: 0.42 in 1993, 0.48 in 2003.

<sup>34</sup> Emir Sader, 'The Weakest Link?', NLR 52, July–Aug 2008, p. 5.

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## REVIEWS

Christoph Henning, *Philosophie nach Marx: 100 Jahre Marxrezeption und die normative Sozialphilosophie der Gegenwart in der Kritik*

Transcript: Bielefeld 2005, €39.80, paperback

660 pp, 978 3 899 42367 9

FREDRIC JAMESON

### SANDBLASTING MARX

A Marx revival seems to be under way, predating the current disarray on Wall Street, even though no clear-cut political options yet seem to propose themselves. Sensible opportunists have welcomed any sign of sympathy for Marxian positions, without wanting to alienate the new converts (or returning fellow-travellers). The big ideological issues—anarchism, the party, economic planning, social classes—are still mainly avoided, on the grounds that they remind too many people of Communist propaganda. Such a reminder is unwanted, not so much because it is accompanied by the memory of deaths and violence (memory is fragile in postmodernity) as simply and less dramatically because such topics now appear boring.

On the face of it, then, it does not seem plausible to welcome a book which, somewhat in the Althusserian vein of yesteryear, implacably denounces the idealistic deviations and doctrinal errors, the ideological misappropriations and misguided revisions of thinkers widely supposed to have some Marxian pedigree or relevance for younger would-be Marxists today. Christoph Henning's *Philosophie nach Marx* is a comprehensive, six-hundred page indictment of everyone from Kautsky to present-day left liberals of Habermasian or Rawlsian stripe, and it is well worth standing up to its innumerable provocations. It is a tireless catalogue of what I will call Marx-avoidance, which for all its unremitting zeal remains oddly non-partisan. Henning does not seem to speak from any easily identifiable political or ideological position, although his philosophical bias would seem

to be a kind of Wittgensteinian Kantianism, appropriate enough for this intellectual operation.

The reader needs to be warned, however, that the word 'theory', now generally taken, at least in the West, to signify post-structuralism or Frankfurt School Hegelianism and quizzed for its exhaustion or demise, or attacked for its perniciously elitist abstraction, is used quite differently here, as a term for Marx's work itself, whose object according to Henning was *bürgerliche Gesellschaft*—by which he means not civil society (that fatigued war-horse to which left liberals and radical democrats alike still appeal), but rather capitalism as such: a system to be confronted in its totality, rather than from any purely political or philosophical, or even from any narrowly economic, perspective. Henning's emphasis, however, remains focused on Marx's work itself, whose 'content and character have rarely been adequately grasped either by its enemies or its defenders'. This perspective will occasionally remind us of Horkheimer's plaintive confession: 'I pledge allegiance to critical theory; that means that I can tell what is false, but cannot define what is correct'. But such frankness, hoping to convert seeming weakness into aggressive counter-attack, does not exempt the Frankfurt School from the force of Henning's critical juggernaut; on the contrary, it will become one of its principal targets.

Henning's critical panorama divides into two unequal segments: the first covers the fate of 'Marxism' or Marxist theory from the death of Marx to the October Revolution. This is familiar ground, but Henning's analysis of the respective shortcomings of social-democratic and communist theory has interesting new things to tell us. The second and longer part of *Philosophie nach Marx* sets out from the 'social philosophy' of the late 19th and early 20th centuries, and brings us up to the present, with a wide-angle view of its successors today, where Henning distinguishes four dominant schools: Habermas, Rawls, normative 'economic ethics' and neo-pragmatism. But although his review of all this is roughly chronological, it avoids any purely historical account by organizing its material around nine systematic *Kernpunkte* or 'key points'—an awkward formula which might better have been rendered as Althusserian *problématiques*, or versions of the medieval 'crux' around which debates traditionally revolved, pressing on an unresolved conceptual dilemma.

This is an excellent framework, but before we outline it, the limits of Henning's enterprise need to be indicated. For one thing, the social philosophy canvassed in its second part is, with the exception of Rawls, exclusively German. It is true, of course, that the only foreign intellectual scene with which English-speaking intellectuals are generally familiar, in its broad outlines and principal players, is French. The richness of Italian or German intellectual life is mostly a closed book to them, with the exception of a few

well-known stars, who collaborate with such provincialism by reorienting their footnotes and references around an Anglophone sociology or philosophy that has become hegemonic. Here the theoretically minded reader will miss discussions of Foucault and Derrida, Deleuze and Badiou, Agamben and Negri, Rorty and Giddens. This is a matter for regret, since it would have been good to have a review of these thinkers in the Henning manner, which, however truly damaging or unremittingly negative, is never basely partisan in the fashion of Althusserian denunciations of old (or even of the perhaps still related anti-theoretical inquisitions and denunciations of the present).

Particularly in the area of sociology, on the other hand, the English-language reader will discover unfamiliar references: the philosopher Rudolf Eucken (1846–1926), for example, or René Koenig (1906–92), founder of the Cologne school of sociology, whose critique of sociological discourse is fundamental for Henning. But they will readily imagine their own equivalents, for the debates are everywhere analogous. (One could think of such transpositions as a literary historian might of the unfamiliar formal patterns of a history of music or the visual arts, whose very non-translatability may yield insight into the dynamics of comparable but dissimilar historical processes.) In any case the names of Kautsky and Habermas, or Heidegger and Horkheimer, are central enough in the history of ideas to warrant attention in their own contexts, however local these may seem to a parochially Anglophone 'West'.

Henning's handling of the concept of social philosophy also needs a gloss. It includes everything from straightforward political and economic manifestos of the early years of revolutionary or parliamentary Marxism, through the sociology of Weber and Luhmann, all the way to outright (or 'pure') philosophy, in Heidegger and Adorno, since the latter is as implicitly political and social as the former is philosophical. Indeed the book's basic argument is that social and political analyses have been sapped and vitiated by their 'ontologization', that is to say, by their translation and above all sublimation into purely philosophical arguments and issues. This is Henning's version of the more frequent and vulgar reproach of 'idealism', which has become something of a ritual insult. Henning does seem to have a philosophical basis for his own bias against philosophy; it is, as has been suggested, a discreet Wittgensteinian Kantianism. In short, the corpus will consist of the social sciences, as they impinge on philosophy (or at least on thought), and philosophy and its contemporary acolyte theories, as these encroach on the social sciences. If the latter seem to have a pronouncedly philosophical cast, is this to be attributed to German intellectual traditions antithetical to either British empiricism or a younger American

pragmatism? If so, that would be yet another reason to work through these unfamiliar German materials.

To be sure, social philosophy is a latecomer—sociology itself only really emerges as a discipline at the very end of the 19th century, with Weber and Durkheim. There will therefore be a welcome and extended prologue dealing with the more overt fortunes of Marxism itself, in social democracy, communism and Marxist economics, before we reach 'bourgeois' developments. Henning's non-partisan but implacable critique of Marxism's own native traditions (no one is spared) gives his book a breadth and variety of targets that mark it out as far more ambitious than any of the usual polemics.

We may now outline an inventory of his *Kernpunkte*, organized by roman numerals. Unsurprisingly, the immediate debates in the first heyday of social democracy turned on social reproduction (I) and the falling rate of profit (II). That both issues are still with us in the age of globalization should be plain, but can be documented by the frequency and intensity of the word 'crisis', in all its various meanings, in every kind of public discourse today, in which Marx is 'repressed' by a naturalization of the business cycles that 'ontologizes' them, to use Henning's language (I would rather say it flattens them out, de-dialecticizes them, and turns them into non-dialectical 'laws' or regularities). The notion of a 'falling rate of profit', meanwhile, leads to standard denunciations of Marx's distinction between price and value, and an excuse to leave Marxist economics behind forever. With Bolshevism the centre of gravity moves towards politics as such, which means that the third nodal point or crux will centre on the theory of imperialism (III), involving not merely the arc from Soviet foreign policy to theories of globalization, but also Lenin's and Hilferding's discussions of finance capital. The more purely political emphasis of Lenin and Stalin 'de-economizes and re-ideologizes' Marx's original problematic (Trotsky and Mao are given short shrift).

Thus abandoned to the professional economists, Marx is ready for burial at the hands of pre- and post-Marxist economists alike—from Smith to Keynes and Friedman, many a nominally Marxist economist covertly endorsing some of these non-Marxian paradigms. Here the crucial nodal point (IV) is the theory of money itself, which takes us back again to the opening chapters of *Capital*; while the accompanying non-Marxist developments in sociology founder, in all their variety of thematics—from Weber to Luhmann—on the fundamental crux of social classes (V).

With these now classical moves and positions established, the reader has been prepared to confront the seemingly more modern, or at least 20th-century, developments that start with the name of Martin Heidegger. The second part of the book will be accompanied by new *Kernpunkte*: VI, Hegel and Marx; VII, Marx's Critique of Religion; VIII, Marx and Ethics; and IX, Marx and Law. But they will also be organized in a supplementary fashion

around theses proposed by René Koenig that reinforce the 'anti-philosophical' bias of Henning's approach to his more modern texts. Koenig's eight theses are summarized as follows: (i) social philosophy is an alienating reaction against Marxism; (ii) as a reaction, it remains thereby secretly bound to Marxism; (iii) its origins lie in a Hegelian dialectic shorn of its negativity; (iv) it transforms an idealist philosophy of identity into an existential one; (v) it short-circuits historical origins into modes of being, and thinking into Being; (vi) it problematizes theory *in toto*, generating a crisis in philosophy; (vii) a loss of objectivity and scientificity ensues; and (viii) in their place comes an empty 'politics' of identity and self-affirmation. This last displacement can also be characterized as decisionism, fundamental to all forms of existentialism, and attributable to Fichte, who becomes the true villain of the story, rather than Hegel. In this tale of decline and fall, Heidegger occupies a privileged position by reason of the crucial role played in it by Henning's term 'ontologization', by which we may take him to mean, simply, turning a problem or a theory into philosophy; or perhaps one should say, a philosophy, for reasons that will shortly become apparent.

I have never placed much faith in that solitary footnote to *History and Class Consciousness*, at the very end of *Sein und Zeit*, which is supposed to document Heidegger's direct engagement with Lukács's work of a few years before. Lucien Goldmann's early argument to this effect always struck me as far-fetched, an exercise in wishful thinking meant essentially to appropriate Heidegger for the Marxian tradition (for Henning, to be sure, Lukács himself is highly ambiguous, always on the point of lapsing into 'philosophy', but generally too intelligently Marxian to succumb irrevocably), though discussion is certainly possible, not so much about the left National Socialist elements as about the implicit concept of revolution in general in Heidegger. But I do not think the *Seinsfrage* in his work, after the *Kehre*, is particularly incompatible with Marxism, which has proved compatible with so many other 'philosophies', inasmuch as it is not—here I agree with Henning—itsself a philosophy.

But therein lies the problem with Henning's slogan, for the ontology of the pre-*Kehre* Heidegger was a phenomenology of the life-world; and if Marx's object of study is taken to be *bürgerliche Gesellschaft* in the most general sense, as the dynamics of capital on all its levels, then Marxism has an obligation to include that phenomenology, to which the 'pragmatic' Heidegger certainly made a fundamental contribution, if we divest it of its anthropological pretensions (the Ur-Germanic etymologies) and its oversimplified diagnoses of technology. His critique of modernity, whether 'irrationalist' or not, is as ambiguous as all such visions, from Burke and the Romantics on down, as Raymond Williams memorably demonstrated in *Culture and Society*. Its ethical and decisionist moments then remain open



to analysis, and will receive their appropriate attention at other stages in Henning's book.

For the philosophizing of social themes—let us rather from now on say, of the varied features and manifestations of capitalism—will not take only such narrowly ontological and existentializing forms. It will also have Hegelian variants, particularly in the traditions of the Frankfurt School (among whom, as Henning rightly notes, Habermas is not to be numbered). It is of course outrageous that his very limited comments on Adorno are included, not under the rubric of philosophy, but of religion; although his subtle reading of the works of the 'school' as a whole centres on Pollock's evacuation of Marxian economics in the name of an essentially political shift towards a theory of state capitalism. Without any mention of Marx's essay on the 'Jewish question', Henning's discussion of the relationship to religion is incomplete, to say the least. Yet I do agree with Henning's provocative conclusion that the Marx of *Capital* has no interest in religion whatsoever: '*die Religion um ihrer selbst willen war Marx recht einerlei*'. The critique of fetishism is the analysis of an illusion or a mirage, important for its structural findings, but not as the social diagnosis of a pathology that can be treated in and of itself—rather its causes must be made to disappear, with the end of the capitalist dynamics of commodity production.

Yet from another perspective this quite proper dismissal of the political significance of religion might well be taken to signal the return of that wholesale rejection of the superstructures which characterized so-called orthodox Marxism and which it was the task of a more contemporary 'Western' and 'philosophized' or 'ontologized' Marxism to restore. Is this simply the result of an Althusserian separation of the levels, or does it lapse back into the old 'materialist' dismissal of all of what were considered so many 'idealisms', from philosophy and religion all the way to ethics and the law? Politics has already been set to one side with a dismissal of its primacy in Leninism, as a displacement. As for culture in general, in whatever form, it is excluded altogether from this book. Above all, there is to be no immanent critical practice of philosophy or anything else, as if this invariably assumed that to identify a faulty idea or ideology was enough to change a society.

This is thus only in part a repudiation of 'pan-Marxism', as the Chinese call it—that is, of Marxism as a philosophy of everything, or philosophy *tout court*, the old 'dialectical materialism'. It is also, if more implicitly, a repudiation of the political fantasies and self-aggrandizement of intellectuals themselves, even if the argument never descends to the *ad hominem* levels to be found in the Bourdieu school—Bourdieu is himself attacked in passing. But perhaps it is better to grasp Henning's procedures in a dialectical manner. He himself frequently describes Marx's rectification of the Hegelian dialectic (in Hegel's spirit) as an insistence on 'the difference and yet identity

of two realms of being, a unity of opposites'. The model is not that of a reflection, or base-and-superstructure, but rather of metabolism—clearly the more fundamental linguistic figure in Marx's thinking. What Henning will therefore deplore as an absence of 'theory' is the lack of any explanation of the metabolic production of one phenomenon (a faulty concept, say) from out of another one (for example, the structure of the commodity).

I myself conclude that if autonomous philosophizing, and the illusion that the critique of the faulty concept will modify its structural origin, is to be rejected, the alternative is not best formulated in Henning's language—less philosophizing and more 'theory'—but ought rather to call for more philosophizing, that is to say, less non-Marxian philosophizing and more dialectics as such. We may take as an example what has been stigmatized as the re-entry of a bad Hegelianism into recent Marxian thinking, namely so-called Capitalogic and a resurrected 'theory of value', to be found respectively in Helmut Reichelt's pathbreaking *Zur logischen Struktur des Kapitalbegriffs bei Karl Marx* (1970), Hans-Georg Backhaus's *Dialektik der Wertform* (1997), and Christopher Arthur's *The New Dialectic and Marx's Capital* (2002)—a body of work seeking to show that Marx simplified his own thought in the changes he made to the second edition of *Capital* and thereby made less accessible the properly dialectical nature of his notion of value as the quantity of labour power, and so the origin of the famous fetishism of commodities. Here value becomes a historically unique phenomenon in which a unity-and-difference of the ideal and the material only becomes visible through a dialectical lens.

Henning seems to think little enough of these 'theological subtleties', and this is not the place to pursue them further. But there ensues an interesting consequence, namely that the formation of value can be understood 'philosophically' as well as 'theoretically' (in Henning's sense) or 'dialectically' (in mine). That many of the processes described in *Capital* are survivals, extensions and expansions of the process Marx called 'alienation' in his early writings seems unquestionable, as Stanley Moore's unjustly neglected *Three Tactics: The Background in Marx* (1963) has shown. The fundamental question is rather whether we should still call them that, whether we should still use this philosophical (or idealistic or metaphysical) word for the later 'mature' work. Althusser proposed building a firewall against such usage by positing the famous 'epistemological break'. The Hegelian Marxists however have mostly delighted in this continuity and taken it as an excuse to do the very thing Althusser feared, erecting an existential psychology or even a philosophy or a metaphysics on its basis (Heidegger, indeed, singling out the concept of alienation for ontological approval in his post-war *Letter on Humanism*).

But if the propensity to ontologization and philosophizing is to be named, I propose to call it thematization. For the minute one thematizes such a phenomenon, a process of autonomization sets in which turns it into the founding term for a new and semi-autonomous complex of concepts—call it a philosophy, if you like, or a ‘world-picture’ (Heidegger), an ideology or a world-view. These new thematizations then most often serve as the point of departure for a *Kulturkritik*, that is to say, a wholesale diagnosis of what is wrong with modern society, its culture, its psychology or subjectivity, its mode of living. Rather than call these discourses attacks on modernity, critiques of it, and the like, as is so often done, it is better to recognize them as a specific discursive form or genre, which passes itself off as an analysis of contemporary (or modern) society that could be viewed as a scientific proposition. Something like this can also happen to the Capitalogicians when they absolutize the diagnosis of fetishism and brandish, as I often do myself, Marx’s own word *Verdinglichung* or reification. Any of these features of capitalism, when named in such a way as to lend itself to a terminology, can give rise to an idealistic hypostasis in the form of this or that culture critique; and it seems to me precisely this to which Henning so often and so properly objects. His labour has uncovered a rich and varied field of just such language pathologies for us to explore and to ‘theorize’ from a Marxist perspective.

I pass over the valuable concluding sections, which trenchantly dissect a variety of social democratic or ‘Third Way’ revisionisms, from Habermas or Rawls to business-philosophical and neo-pragmatist versions of their normative philosophies in Germany. For it is the Marxist deviations from Marx that are of most interest, rather than the outright and unabashed ‘post-Marxisms’, even if the critique of a return to norms and even to a kind of natural law—whatever function these may on occasion serve as buffers against the hegemony of the free market and its depredations—is probably always salutary and bears repeating worldwide.

Yet one cannot entirely endorse the programme with which the book concludes. Henning enumerates four basic features of the various misreadings—intentional or otherwise—of Marxist theory, today and yesterday. These are (1) a substitution of nature for society as Marx’s basic object of study; (2) a misunderstanding of the way in which Marx uses the term ‘law’, as in the laws of capitalism; (3) a retranslation of Marx back into a philosophical discourse; and (4) an interpretation of the ensuing naturalistic world-view ‘according to the hermeneutics of a *Lebensphilosophie*’, as the expression of a praxis. Henning’s identification of his project with Kant is intended to validate his work as a ‘critique’ that sets limits to what Marxism can do (as well as to celebrate its indispensable achievements). His invocation of Wittgenstein supposes an ambition to cleanse its language of false problems

Anders Åslund, *How Capitalism Was Built: The Transformation of Central and Eastern Europe, Russia and Central Asia*

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## THE ECONOMIST'S BURDEN

For anyone studying the post-Communist economies, the writings of Anders Åslund are impossible to ignore—even when it might be best to do so. To work on this part of the world is to encounter at every turn Åslund's forceful, categorical, and often angry pronouncements, apparently rooted in an unshakeable conviction that he always knows both who to blame and what to do. Born in 1952, Åslund studied economics at Oxford and then joined the Swedish foreign service, spending three years in *perestroika*-era Moscow. Abandoning diplomacy for economics, in 1989 he published *Gorbachev's Struggle for Economic Reform*, a detailed account of factional duelling over policy within the Politburo. From 1991 until 1994, Åslund was part of the team of Western economists, led by Jeffrey Sachs, that advised Russia's government on macroeconomics. Funded by the Ford Foundation and the Swedish government, the Sachs team aggressively advocated shock therapy, backing free-market liberals in the Yeltsin administration such as Yegor Gaidar and the late Boris Fyodorov. When both left the government in early 1994, Sachs and Åslund resigned their posts.

Ever since, Åslund has produced a steady stream of books and articles aimed at academic and policy audiences, and maintained an unchallenged position as the most prominent commentator on the region's economy in the Western media. From his perch at Washington's influential Peterson Institute for International Economics, Åslund weighs in on virtually all major issues related to Russian policy, lately filling op-ed pages with damning indictments of the Putin regime's actions in Georgia and dark predictions that an economic come-uppance awaits it. His scalding prose is not of the sort belied by a mild presence: in person, Åslund has an impressive

glower, looking as if he ought to carry a fan to dispel the steam rising from his ears.

Detractors have suggested that Åslund has business interests in Russia, but even if true, there can be no question that ideology is his primary motivation. Despite his Swedish background, Åslund's economics have always been Anglo-Saxon rather than Scandinavian, and he appears to feel little but scorn for his homeland's social-democratic system. Unshakeable market liberalism has consistently characterized his approach to the post-Communist transformation. Åslund holds that the path from socialism to capitalism lies through three key policies. Liberalization should end restrictions on domestic and foreign trade and price-setting; stabilization should bring inflation under control through monetary restriction and balanced budgets; and privatization—for Åslund, the most significant policy of all—is meant not only to align business incentives with the public good but also to create a political bulwark against any regression to Communism. In carrying out these policies, he has argued, speed and an uncompromising stance are virtues. For in addition to hastening the arrival of capitalism and the many benefits it offers, these qualities also make the persistence of change credible and thereby prompt quicker adaptation both by firms and the population as a whole.

*How Capitalism Was Built* is, in Åslund's words, 'partly a sequel, partly an updating and revision' of his 2002 work *Building Capitalism*. The shift in tense signals Åslund's confidence that history has now rendered a final, and resoundingly positive, judgement on the programme of 'reform'. Opening with a brief triumphalist survey of the downfall of Communism, the book then turns to making the case that shock therapy is preferable to any and all forms of gradualism. A third chapter seeks to downplay the colossal slump in output after 1989—claiming that 'a substantial part of the big recorded decline, probably about half, was not real', and should instead be put down to 'mismeasurement, an expansion of the unregistered economy, and the elimination of value detracting'. Separate chapters then deal, respectively, with liberalization, stabilization and privatization, recording satisfaction with governments that have deregulated their economies, curbed inflation and established private property rights—though Åslund does display some concern about the security of the latter, and consequently about the 'political legitimacy of privatization'.

The rest of the book records Åslund's views on a variety of areas where the implementation and outcomes of market reforms have been criticized. With regard to social welfare, he blithely asserts that 'there was certainly trauma, but the initial perception of social disaster was exaggerated', and that 'the course of reforms did not have much impact' on levels of inequality. On law and order, he notes the explosion of crime, but describes it as

'a natural consequence of the breaking down of the old order', bemoaning the fact that lawyers both in the region and abroad have not sought to mould a post-Soviet legal system 'with the single-mindedness of the IMF in its pursuit of macroeconomic stability'. Further topics covered include the compatibility of democracy with reform (total, according to Åslund), the 'oligarchs' (whom he lionizes), and the role of the international community (whose stinginess he bemoans).

Although published by an academic press, *How Capitalism Was Built* is not a scientific endeavour. Those with a true calling for science, as Max Weber remarked, are tormented with doubt over the accuracy of their conclusions. All doubt is banished here. Even when contradicting himself, Åslund displays absolute assurance. Countervailing evidence is ignored or dismissed. The closest he comes to self-questioning is in moments of veiled defensiveness. He writes that in promoting reform, 'the success of the economists', himself apparently included,

lay in their preparedness to formulate simplified policy advice for radical market economic reform. Academics of many other disciplines considered such simplifications inappropriate or even disqualifying for serious scholars. Reform requires simplicity and lucidity rather than nuance

Even if one accepts this dubious point, it does not of course justify abandoning all nuance in what is presumably intended to be a serious scholarly work, at a time when most of the policies under discussion demand the past tense.

The source of Åslund's hypertrophied self-assurance is perhaps a deeply buried anxiety that he might be wrong—and that being wrong, after making such categorical statements in an effort to shift the terms of public debate, would be a moral failing. Whatever the reasons, he evidently feels a duty to provide a moral exculpation of radical reform. He offers a kind of theodicy of the ills of post-communism, absolving the shock therapists of blame for each and every ill, and identifying the guilty parties. Conversely, Åslund avidly ascribes all positive developments to radical market reform. As befits a moral fable, there are no impersonal forces, only the wise and the wicked. The latter are the 'rent-seekers', who try to manipulate state policy away from the reformist path to ensure above-market rates of return, and bear heavy responsibility for all the disappointments of post-Communism. Fortunately, they are opposed by the wise—heroic free-marketeers such as Gaidar and Poland's Leszek Balcerowicz, both of whom provide back-cover endorsements—who may be credited with all that is good in the former Eastern Bloc. The struggle between the wise and the wicked, Åslund would have us believe, is the central story of the period since the fall of the Wall: 'post-Communist transformation is the history of the war for and against rent-seeking'.

Unfortunately for Åslund, the credit-claiming and blame-evading aspects of his argument often trip over one another. This is particularly noticeable in his discussion of democracy. One of the most serious charges laid against the ideologists of radical reform is that they were willing to sacrifice democracy on the altar of markets. Åslund, who felt moved recently to publish a book on how Russia's 'market reform succeeded and democracy failed', is clearly preoccupied by the issue. From the very outset of the post-Communist era, liberal economists—convinced that they could proffer the region the one true path forward—have struggled to avoid appearing as apologists for enlightened despotism. Indeed, some of their ideas about the politics of reform all but mandated dictatorship. In their view, reform is a 'public good'. As Mancur Olson notoriously argued, it is hard to attract participants to a movement pursuing public goods, since many will prefer to 'free ride' on the efforts of others. Shutting down inefficient industries, freeing resources for new uses, putting assets in the hands of those who will make the most of them and fighting inflation were all meant to benefit citizens as a whole—even those ignorant of these benefits, and those opposed to the reforms in the first place. From this constituency no movement could spring: unable to represent themselves, they would need to be represented. Economists volunteered for the job.

This political analysis spoke for a variant of liberalization that was not only speedy and comprehensive, but explicitly anti-democratic. For while citizens mouldered in indifference to the heroic efforts conducted on their behalf, the economy's worst prospects—conveniently grouped in decaying state enterprises—would denounce reform with passionate intensity. Indeed, the analysis suggests that market reform's very unpopularity is an indicator of its public-spiritedness, since by Olson's logic the 'public good' has no vocal friends. Here and there Åslund appears close to embracing this line of thought. He proclaims that reformers needed to exploit the 'window of opportunity' offered by political ruptures, before opposition to reform coalesces; accepts that privatization may be legitimately designed to take unsympathetic policy options off the table; and dismisses criticism of Western economic advice as a sign of its effectiveness.

Insofar as the iron logic of the Olsonian position, not to mention Åslund's own categorical policy advice, implies that democratic decision-making is a distraction at best and a diversion at worst, these dictatorial asides are revealing. However, asides they remain. Åslund apparently would like to maintain that democracy and market reform are entirely compatible. Here he follows Joel Hellman, who in an influential 1998 article proposed that the main enemies of market reform are not the poor and dispossessed, but rich 'rent seekers' who grow fat on the distortions of 'partial reforms'. Because fuller reforms—such as eliminating inflationary subsidies, opening markets to

competition and reducing corruption—would reduce their rents, these fat cats seek to block them. Hellman argued that the best cure for these ills is democracy, in which those suffering from rent-seeking can easily out-vote the minority who benefit from it, leading to fuller reform. Evidence for this proposition came from correlations between reform progress, as measured by the EBRD's 'transition indicators', and 'levels of democracy' in post-Communist polities, according to the Freedom House index of political rights. Åslund provides similar correlations here: extensive market reforms track Freedom House scores.

Once examined more closely, however, this case for the compatibility of democracy and market reform offers fewer resources than its many adherents would have us believe. Firstly, on this theory democracy's virtue is not, for instance, that it enables deliberative decision-making, nor that it vests people with equal shares of sovereignty over their joint destiny. Instead, democracy is considered to work to the extent that it yields economic rules and practices highly rated by the EBRD. As Andrew Barnes noted, reviewing an earlier version of this book, it is bizarre to celebrate democracy, which is ultimately a set of decision-making procedures, for not making any independent policy decisions at all. Secondly, the evidence is overwhelming that 'advancement' along the Åslund-approved reform path resulted not from voters' affection for the mandated policies, but because politicians, once in power, responded to the threats and blandishments of the international community rather than those of the electorate. The events of 2006 in Hungary were a particularly vivid illustration of the point. Having won an election, Socialist Ferenc Gyurcsány told a party gathering that his government had been 'lying morning, noon and night' while preparing austerity measures in secret before the voting. When a recording of his remarks became public, rioting ensued; but Gyurcsány remains Hungary's leader.

This sort of bait-and-switch was hardly an exception. Even Åslund, for whom Hungary is one of Central Europe's 'impeccable democracies', admits that elections in the region produced relatively small changes in policy, but seeks to explain this by arguing that voters were focused exclusively on corruption, and would therefore regularly vote against the party in power. Right or wrong, this claim effectively explodes the argument linking 'progress' on privatization, banking regulation, liberalization of the domestic market and foreign trade—the elements according to which Åslund measures reform—to democracy, since it supposes that the populace was not voting on these issues. Åslund also talks up the role of the EU in shaping Eastern Europe's political and economic institutions, while ignoring the massive 'democratic deficit' this necessarily entailed. In short, correlation is not causation, and Åslund does not even make a credible pretence of believing the causal logic of 'voters versus rent-seekers' he claims to endorse.



Closer attention to history demonstrates that uncompromising free-market reform and the political philosophy behind it were in fact inimical to democracy in practice, and not only in theory. It is a favourite tactic of market liberals—remarked on long ago by Karl Polanyi—to defend their doctrine on the grounds that it was imperfectly implemented. In Åslund's case, imperfections are the reason why radical market reform in Russia cannot be blamed for democratic reversals there. What this defence ignores is that an executive authority convinced that it has the single right answer to economic problems, and which demands of parliament and the legal system a rubber stamp for its every decision, has a corrosive effect on democracy. From the beginning of Russia's shock-therapy programme it was clear that, faced with a choice between what law or parliament demanded of it and what it desired to do, the Yeltsin government would always choose the latter.

Key aspects of Russian privatization relied on presidential decrees that would never have passed through the Duma. The Kremlin would regularly ignore budget laws when revenue fell short. The showdown between Yeltsin and the parliament in October 1993, when the former ordered the shelling of the Duma building and armed clashes took place between Duma supporters and forces loyal to Yeltsin, began when the President unconstitutionally dismissed parliament in retaliation for its opposition to his economic policies. Some days before this decision, Yeltsin had reappointed reformist Gaidar to his government, signalling to the West his commitment to market reform just as he was about to abandon his commitment to constitutionalism—having correctly concluded that the former would prove more salient abroad than the latter. Similarly, when Yeltsin pulled off victory in the 1996 election by explicitly exchanging state assets for the support of the wealthy—though members of his entourage were anyway poised to nullify the election results if they had proved negative—a higher value was placed on the continuation of market reforms than on democracy. Åslund has little to say about these events here, save to lampoon the economic views of Yeltsin's Communist opponents. The anti-Semitic, conspiratorial confabulations of the KPRF were indeed far from an edifying spectacle. But Yeltsin and his allies are not blameless: by repeatedly demonstrating contempt for the institutions of democracy, they ruined any chance that a constructive rather than a vicious opposition might emerge.

A second reason the doctrine of radical market reform undermined democracy in practice is that it often involved demands to do the simply impossible. Consider the emergence of barter in the Russian economy of the 1990s. As monetary policy tightened from 1993, many industrial firms faced deflationary pressures, while their customers could not afford their products. However, with debts of their own to suppliers, and tax authorities who saw failure to make a profit as *prima facie* evidence of tax evasion, firms

were unable to cut prices. Instead, they began accepting goods, or IOUs of limited circulation, in payment, maintaining their nominal prices while giving a *de facto* price cut. By August 1998, 54 per cent of industrial sales were carried out in non-monetary form. This desperate practice caused enormous difficulties for Russian enterprises—among the most significant being that firms' taxes were assessed as if their non-monetary receipts were as valuable as their monetary ones, drastically raising an already significant tax burden. Government adapted by accepting IOUs and goods shipments as payment. Since these represented *de facto* tax cuts, Åslund concludes that 'the cause of barter amounted to tax avoidance', and that it was 'just the latest fashion in rent-seeking.'

This was and is a patently absurd point of view: tax evasion is pursued worldwide without diverting half of industrial sales out of the money economy. Non-monetary taxation is certainly open to corrupt manipulation, but it would not exist were it not a necessary adaptation to non-monetary exchange, whose emergence in Russia clearly preceded changes in the tax code. More absurd still is the conclusion, known as the 'virtual economy' thesis—which Åslund also endorses, for good measure—that most of the firms engaged in barter were 'subtracting value' and thus should be shut down immediately. Radical marketizers took no account of the manifest impossibility of this demand. Before the 1998 crisis, those in Russia's government sought to stamp out barter coercively, but their efforts were uncoordinated and ineffective, and they made no attempt to build a political base for such measures. The elementary point that Åslund misses is that one cannot barter unless one has something to barter: in-kind and debt-offset exchanges still respond to supply and demand. In effect, alternate quasi-money circuits effected multiple, localized devaluations of the rouble, enabling firms to survive in circumstances of extraordinary overvaluation of the currency. When the economic crash of 1998 forced a 75 per cent devaluation, barter quickly evaporated. Indeed, Russia's rapid recovery, and its years of subsequent growth, owe a great deal to the barter economy of the 1990s. Had this innovation not permitted firms to continue operating in a punishing economic environment, they would have been unable to fuel growth when exchange rates sank after 1998.

Åslund has a different analysis of the aftermath of the 1998 crash: he sees it as a cathartic event, which suddenly and decisively convinced both the Russian government and the rent-seekers in big business that only liberal policies and consumer-oriented strategies would lead them to flourish. Indeed, he devotes a chapter to a lyrical celebration of Russian (and Ukrainian) big business, the so-called 'oligarchs', whom he characterizes as 'outstanding self-made entrepreneurs, although most made their fortunes on the reanimation of existing Soviet mastodons rather than developing new

enterprises'. Nonetheless, in their bid to 'transform seemingly moribund Soviet smokestacks', they 'succeeded beyond any expectation, revitalizing old factories and spawning economic recovery'. Åslund describes 1998 as their zenith; but then the August crash 'brought a sudden end to the paradise of the oligarchs'. The history of Russian big business thereafter can be separated into three phases. The first, lasting from 1998 to the early 2000s, involved consolidation of control over industrial holdings, especially in the oil and metals sector, largely by squeezing out minority shareholders and using manipulated bankruptcy procedures to dislodge majority shareholders without the muscle to defend themselves. In the second, lasting until 2003, victorious conglomerates courted foreign investors and expertise in order to exploit opportunities that had remained out of reach in the 1990s. During this period, enormous run-ups in big businesses stock valuations gave the oligarchs vast wealth, and through their influence in parliament they were also able to secure a very forgiving tax regime, especially in the oil sector.

In 2003, however, Putin—probably prodded by associates interested in the aggrandizement of the state-owned oil firm Rosneft—jailed the prominent oligarch Mikhail Khodorkovsky; his firm, Yukos, was in effect confiscated for tax debts and transferred to Rosneft for a substantial payment funded by foreign borrowing. The ensuing period saw legislation much less favourable to the oligarchs, who attempted to reach a *modus vivendi* with the newly active state-linked entrepreneurs seeking to build industrial empires of their own. For Åslund, in the first two of these periods the oligarchs 'responded rationally to the existing conditions', for which they should not be blamed. Why rationality, which is also exhibited by pick-pockets, should be exculpatory is unexplained. Åslund believes that oligarchs had unique and non-replicable skills, which they would not have exercised without the staggering fortunes they attained. (That the marginal utility of an extra billion in wealth should be so high was somewhat perplexing to this reader, who imagines being sated after the first.) Certainly, there is a kind of grandeur in the oligarchs' swashbuckling legal manipulations and hard-boiled grabs for property—thinly veiled in fiction in the novels of Yulia Latynina and Boris Berezovskii's former lieutenant Yulii Dubov. But what Åslund's celebration of the oligarchs' entrepreneurial qualities conceals is the failed policies that made them necessary.

Discussing privatization, Åslund, in characteristically categorical manner, suggests that it matters little how it was done; it was simply important that it be done, and as quickly as possible. When this advice was followed, as it was in Russia, the upshot was to spread private property haphazardly: parties with fundamentally opposed interests wound up sharing ownership of most enterprises; in many cases, enterprises for whom cooperation with

traditional partners was vital found themselves pulled apart. Fighting over ownership delayed by nearly a decade the restructuring and turn to investors that Åslund celebrates. A slower, less chaotic privatization, focused on ensuring stable ownership, might have avoided this. Indeed, something similar happened in Poland, causing Åslund to splutter that the country was an exception. He suggests that massive looting by existing managers made rapid privatization necessary. However, the opposite was generally the case: managers accelerated the looting of their enterprises in order to use the funds to purchase them once they were privatized. A more gradual process, during which there was substantial uncertainty over whether insiders—and which insiders—would acquire shares of the firm, induced a mutual monitoring between workers and owners which ensured that assets would reach privatization intact. The case for speed in price liberalization, at least in the Soviet Union, where the planned economy's macroeconomic management mechanisms had entirely collapsed, is reasonable. The case for hasty privatization is not. Given that Åslund effectively admits that the fruits of privatization in Russia only appeared almost a decade later, when the oligarchs concentrated their control, it is hard to fathom why he still justifies the tremendous urgency with which the process was carried out.

One of the core justifications of radical market reform, of course, was that it was supposed to facilitate economic growth. With regard to the 1990s, when East Central Europe and the Baltics recovered more quickly and grew faster than the CIS countries, Åslund could point to a superficial correlation between reform and growth. However, between 2000 and the present, the CIS countries, including Russia, have grown far faster than their neighbours to the west and northwest. Åslund, then, had either to concede that the iniquitous were flourishing and the virtuous lagging, or else find a way to redefine virtue and iniquity. His moral project demanded the latter. East Central Europe's flagging growth, he explains, results from a 'social welfare trap', in which excessive pension and other state welfare commitments lead to excessive taxation, keeping unemployment high and growth low. By contrast, Russia and many of the CIS countries had very low taxes in the 2000s, accounting for their impressive growth rates. Indeed, Åslund is so struck by this that he finds himself slipping towards market authoritarianism once again, endorsing an argument that while democracies do well when the main barrier to growth is rent-seeking, voters' annoying tendency to soak the rich makes democracy counterproductive when high taxation is the main economic drag.

In its fervour to celebrate radical market reform, its cavalier attitude toward the historical record—inaccuracies and contradictions alone could have filled an entire review—and its resolute refusal to consider whether there might be lessons to learn from fifteen years of post-Communism, *How*

*Capitalism Was Built* is a profoundly frustrating book. One is hungrier for knowledge after reading it than before. Ultimately, the book's significance should be sought beyond the text itself. What are the broader conditions that enable such a tendentious and unscholarly analyst to acquire such a prominent role? One factor is clearly the legacy of the Cold War. Western journalism, constrained both by Communist censorship and its own lack of imagination, found itself unable for decades to narrate a story about the Communist countries that went beyond the dualism of 'regime versus dissidents'. In the 1980s, this mutated into Gorbachev and reforms versus Ligachev and reaction; in the 1990s, the new permutation was Yeltsin versus the rent-seekers; today it has become the *siloviki* versus all comers—technocrats, oligarchs or democrats.

This is an easy story to tell, and Åslund makes up in vigour and vividness what he lacks in accuracy. It may also be that such facile analysis, devoid of shades of grey, fits in easily with an age of financial booms and busts driven by vast international capital flows. Speculators do not need nuance: they need to know whether to buy, sell or hold. What is important to them is not the truth about an economy, but what everyone else is going to think is the truth. Åslund's unabashed claims of oracular status supply what the market demands. These days, as speculative capital flees every market in the world, Åslund blames the latest Russian collapse squarely on Putin, whose attacks on business and Georgia allegedly spooked investors. Someone is always to blame; just not the free-market liberals.

Henry Kamen, *Imagining Spain: Historical Myth and National Identity*  
 Yale University Press: New Haven and London 2008, £25, hardback  
 254 pp, 978 0 300 12641 9

RONALD FRASER

## PENINSULAR MYTHOLOGIES

During the Napoleonic war of 1808–14, the concept of a sovereign nation was conjured up, like the proverbial rabbit from a hat, by Spain's liberals in the Constitution of 1812, which replaced the absolutism of the Old Order with popular national government. In future, representatives were to be elected to a unicameral assembly; the separation of legislative, executive and judicial powers was enacted—with the King reduced to the executive—and the Cortes, in charge of the legislative, had 'the exclusive right' to establish the nation's fundamental laws. The nation itself was defined as 'the union of all Spaniards in both hemispheres': laws would be the same for all regions of Spain and its transatlantic empire. Within two years, the Constitution's 384 articles had been trampled under foot by the sovereign, Ferdinand VII, on his return from wartime seclusion in France at Napoleon's pleasure; in his baggage he brought the return of absolutism, displacing the national ideal. The liberals, who were rapidly imprisoned or exiled, had made a cardinal mistake: believing it sufficient to commit to paper a constitution which all must observe, they neglected to furnish themselves with the necessary political base to support both it and them. Not surprisingly, its abolition generated not popular protest but jubilation—much helped along, of course, by the liberals' sworn enemies.

Nonetheless, the 'national' resistance's long and bloody struggle against Napoleon's armies is celebrated as the modern nation's birth. The 2008 bicentenary of the start of the war and the popular anti-Napoleonic risings saw a flood of histories and historical novels, most of which added little to existing knowledge; many handsome exhibitions, accompanied by lavishly illustrated catalogues, were staged, along with endless conferences

and talks, academic and otherwise—most notably in Madrid, but not in all of the country's regions. Indeed, it seemed that the celebratory nation was confined to Spain's traditional Castilian heartlands. Was the 'nation' after all little more than a myth?

It is to this, and six other myths about Spain, that Henry Kamen, a noted historian of the country's early modern period, devotes this striking revisionist work, which traces the myths' origins to later, mostly nineteenth-century, visions of Spain's sixteenth-century Golden Age, providing a fascinating picture of the country's intellectual landscape in the process. Born in Rangoon in 1936, Kamen has been a prolific writer, producing a score of books since the mid-1960s, including re-interpretations of key figures and institutions—the Inquisition (1965, 1985, 1997) and Philip II (1997)—as well as a 2002 account of *Spain's Road to Empire*, stressing the role of consensus in Iberian expansion over that of conquest.

Before setting out, Kamen is careful to explain the meaning he ascribes to myths: 'intentional fallacies . . . systematically invented to undermine observed historical fact', 'ideological strategies with identifiable political motives' to explain the present and to define the future, which enter into the main currents of thought as a foundation of national culture. He thus examines the myth of the 'historic nation' of Spain as having existed since time immemorial; the myth of the failed monarchy, in which foreign Habsburg and Bourbon dynasties are held to have run the country into the ground, the myth of Christian Spain, which holds that the country's unique religiosity formed its very essence. Then there is the myth that the Spanish empire conferred an enduring world-historical role; the myth surrounding the Inquisition, held to have mired the country in ignorance and intolerance, the widespread notions of Spanish as a uniquely universal language; and the myth of Spain's perpetual decline from a previous Golden Age. In a postscript, he addresses the notion of the erosion of Spanish identity.

Kamen argues that the experience of political democracy over the past thirty years has brought into being new ways of looking at the past that have pushed the sixteenth century into the background: the reign of Juan Carlos has ended the notion of the monarchy's constant failure, while obsession with Spain's glorious religious role has faded in the face of secularism. In one of the world's ten most industrialized powers, 'perpetual decline' can no longer have any effective purchase. The formation of these myths nonetheless remains of significance to all those interested in Spain's past—and none more so than that of the nation, the myth with which Kamen begins.

Already in the early modern period there were those who claimed that Spain had been a nation since time immemorial, or at the very least since the reign of Isabella and Ferdinand, the Catholic Monarchs, under whom Castile and Aragon were united in the fifteenth century. The word *nación*

was used, though in fact its early meaning was the country of one's birth; and as late as the early nineteenth century and the start of the Peninsular War, a legally unified Spanish kingdom did not exist. The monarchs were sovereigns of Castile—which, after the 1492 conquest of Granada, stretched from Andalusia and Murcia in the south to Galicia and Asturias in the northwest—Leon, Aragon and a large *etc.*, as the preamble to their decrees made plain. A native Valencian would be considered a *forastero*, an outsider, in neighbouring Aragon. If there was, as the historian José Álvarez Junco has maintained in his 2001 book *Mater dolorosa*, a Spanish collective—though not *national*—identity, it stemmed from sharing a Catholic monarchy and the experience of constant warfare during the country's century and a half of hegemony over Europe; Reformation and Counter-Reformation on the one hand, and the existence of common enemies on the other, laid the bases of this shared identity. To this one might add the Church's teaching that Spaniards were God's chosen people to defend the one and only true faith, and the seven-hundred-year reconquest of Muslim Spain for Catholicism.

Kamen is cautious about defining the word nation which, quoting Hugh Seton-Watson, he describes as scientifically indefinable, for all criteria used are disputable impositions. Still, as he writes, there is no question that nations exist, and later he cites Ernest Renan's *Que est-ce qu'une nation?* to the effect that a nation is 'a large-scale solidarity, constituted by the feeling of the sacrifices that one has made in the past and of those that one is prepared to make in the future'. In this sense, I would argue, there can be little doubt that the sacrifices made by many—though not all—Spaniards in the Napoleonic struggle created certain bonds that transcended local patriotisms. But whether these remained unbroken for long or whether there existed the same willingness to make such sacrifices in the future is open to doubt. As a prime minister exclaimed in the mid-1830s, the nation exists no further than one can see from a tower in Madrid.

An essential ingredient in forming a nation, Kamen writes, is the creation of a state with the political will to define it, and equally to define what does *not* constitute the nation. In asking whether the beginnings of a state that occupied most of the peninsula created a nation under the Bourbons, who gained the throne early in the eighteenth century, he neatly evades a response by saying that the matter falls outside the present book's scope, which is limited to the early modern period. This may frustrate readers legitimately expecting an answer which the author, with his vast knowledge of European history, could easily provide, even if only schematically, and which, *faute de mieux*, the reviewer is left to fill in: the modern European nation was a creation of the French revolution and thus, *de facto*, could not and did not exist prior to it, in Spain or anywhere else in Europe.



I should at this point make clear my limitations in reviewing this book. I have no specialist knowledge of Spain's early modern period, Kamen's area of expertise—my remit is rather the mid-eighteenth to mid-twentieth century. On the other hand, most of the myths concern nineteenth-century 'ideological strategies' in the creation of a nation, with which I am relatively familiar. Of these, as Kamen himself writes, the myth of a national resistance to Napoleon, as much as Spain's Golden Age, constituted an essential part. The attempt to form a nation failed, I would argue, though Kamen does not venture this far, due either to lack of political will or to the state's lack of the material means—in short, money—to achieve it; most significantly perhaps in providing a unified national market through an adequate transportation network and a nation-wide educational system. Two small but significant details illustrate the failure. *La Marcha Real*—the Royal March—dating from the 1760s, became Spain's anthem more or less by default, and is one of the few national anthems to lack words. The national flag, which was originally the Bourbon monarchy's mid-eighteenth-century ensign, was only adopted one hundred years later and did not become obligatory until the early twentieth century. The failure to create a viable nation left a political vacuum in which newly imagined political communities, in Benedict Anderson's classic formulation, could arise in the latter half of the nineteenth century, especially in Catalonia and the Basque country, which rejected Castile's imposition on their regions of its centralist state and accompanying nationalism.

Here Kamen has some highly interesting things to say about the perceived early modern inheritance of Castilian and Catalan nationalisms. From early on, Castilian writers began to conflate Castile with 'Spain'—not without some justification: the kingdom of Castile was four times the area of the kingdom of Aragon, which included Catalonia, Valencia and Mallorca; and it contained nearly 80 per cent of peninsular Spain's population and the three largest cities, Seville, Granada and Toledo. Unlike the crown of Aragon, Castile had one tax structure, one language, one coinage, one administration and no internal customs barriers. It also enjoyed a more powerful trading position, based mainly on wool. Spain's European military endeavours would have been impossible without Castilian soldiers, the famous *tercios*, even if the latter included many foreign mercenaries, as Kamen observes. The age of empire was also pioneered by Castile, and 'because of the dominant role played by Castilians in foreign enterprises, the history of voyage, discovery, conquest and war was written up by official historians in a way that gave all the glory to Castile.' These works of propaganda conveniently obscured the part played by non-Castilians who were lumped under the generic title of 'Spaniards'. The *tercios*' battle cry of *Santiago! España!*—in reference to one of Spain's two patron saints—was used by all soldiers, whether Castilian,

Italian, German or Flemish; all were encouraged to feel that their cause was the cause of Spain.

In the early twentieth century, Castilian writers, following the mythologized tradition of nineteenth-century liberals, fell back on the myth of the nation's inception under Ferdinand and Isabella, and its subsequent development by the early Habsburgs. Spain had always existed, in fact was the first modern nation to have come into being; it was a 'harmonized unit' with a capital city on a par with the capitals of France and England; and it had a 'homogeneous culture' with little ethnic instability. Kamen disputes all three assumptions: Philip II chose Madrid as the seat of his court and administration but had no intention of making it the capital of Spain—this would have been a political impossibility at the time. Like his Habsburg successors, Philip II always recognized Barcelona, Valencia and Saragossa as the capitals of their respective principality and kingdoms; Madrid's status lay in being the capital of a worldwide monarchy. The notion of a homogeneous society—the myth that Spain was inhabited by a population which felt itself to be Spanish—conveniently overlooks the fifteenth- and seventeenth-century expulsions of the Jews and Muslims, and supposes that Catalans and Basques shared in a national culture and lived harmoniously in a society defined as Spanish.

This brings us to the early modern myths used by Catalans to support their late nineteenth-century claims to being an imagined political community. The Catalans turned on its head an important aspect of liberal mythology: everything that was promising in Spain in the late fifteenth century came not from Castile but from the crown of Aragon—commercial enterprise, naval power, the Mediterranean empire, money to finance Columbus's voyages. But the union of Aragon and Castile—for which Ferdinand was to blame, through his marriage to Isabella—tilted the balance in favour of the latter; the result was Castile's monopolization of power, the establishment of the Inquisition, the creation of absolutism and uniformity. The first Bourbon to occupy the throne, Philip V, deprived the Catalans (and also the Valencians) of their cherished ancient liberties and rights for having sided with the defeated Habsburg pretender in the War of the Spanish Succession. On this view, Catalonia had had its own language which the victors suppressed—a suppression, Kamen points out, which even Catalan historians of the period strenuously deny. Further, it had its own laws, its own art, a 'national spirit, a national character, a national thought: Catalonia was therefore a nation', wrote Enric Prat de la Riba in 1906, in what was effectively the founding statement of Catalonia's imagined political community.

There was nothing particularly untoward in such affirmations: mythical usage of the past was common to most communities aspiring to nationhood, and frequent in the Europe of the time. Kamen observes that Catalonia had

better justification than most, for it had one of the most outstanding histories possessed by any small people of Europe. The loss of their privileges, which they blamed on Spanish absolutism, was useful in fostering a sense of nationhood by providing an identifiable enemy. The earliest formulation that 'Catalonia is the *patria* (fatherland), Spain is the nation', later became 'Catalonia is the nation, Spain is the state'. Indeed, since the transition to democracy if not before, Catalans have referred to Spain as the 'Spanish state'; Franco's regime had abolished the Statute of Autonomy granted in 1932 by the second Republic and suppressed the Catalan language, so the enemy was fresh in living memory. The repercussions of the Catalan nation reverberate into the twenty-first century. The regional government's initial proposal in 2005 to update the Statute of Autonomy, approved in 1979, baldly declared in its first article: 'Catalonia is a nation'. This was too much for Madrid's Socialist government and beyond the pale for the conservative opposition. Ignoring the latter, Zapatero finally struck a deal to move reference to the Catalan nation to the Statute's preamble, where it was recognized that the region's parliament had, by an ample majority, defined Catalonia as a nation. In this shape, the Statute was approved by the Spanish Cortes over conservative opposition the following year.

Kamen has little to say about Basque and Galician imagined communities, other than that the former began in the late nineteenth century, in Basque Nationalist Party founder Sabino Arana's theories of the Basques as a 'race' whose origins were not in the peninsula but elsewhere in Europe. To such assertions were subsequently added, among a number of things, the fact that Muslims had not occupied their land, and that the Basques were not Christianized until relatively late. Though lacking these additional aspects, Galician writers at the same time laid a similar claim to being a nation of European stock which had evolved separately from Castilians.

Only in one brief moment, Kamen remarks, under the Popular Front government of February to July 1936, was 'the hold of the mythical past on the imagination' decisively broken. Writers and artists, like Federico García Lorca, 'threw overboard religion, monarchy, empire and all the other paraphernalia of the past' to look forwards to a new socio-cultural future by taking literature and art directly to the people. But 'this effort collapsed when the Civil War broke out, and Franco's victory assured the triumph of the most radical traditionalism'. Though a Galician by birth, as a regular army officer Franco was a Castilian to the core, and it was under his regime that early modern myths of the nation were enforced with military discipline, down to the very symbols adopted: the Catholic Monarchs' emblem of the yoke and arrows presided over the lowliest village entrance. In the dictatorship's last years, admirers of Queen Isabella set in motion proceedings to have her canonized as a saint, although this has ground to a halt. Like the Catalans, the

Basques saw their autonomy statute granted under the wartime Republic torn up and their language suppressed. Under the Francoist slogan, 'One Nation, Great and Free', Spaniards were to speak one sole idiom, Castilian, the 'language of empire'.

Imperial Spain was much vaunted under the dictatorship, as the regime sought to link itself to the reigns of Ferdinand and Isabella and of Charles V. Kamen cites the Spanish literary scholar Santiago Juan Navarro on the imperial myth's role in creating

the deceptive self-perception that Spain was the 'chosen' nation, accepting the paradox that Spain was wealthy because Spain was poor . . . Associated with the ideology of National Catholicism and with the ideals of race, religion, nation and empire, the myth ended up by converting itself into one of the legitimizing pillars of the dictatorship.

The anti-Napoleonic struggle became another of the dictatorship's fertile myths. National popular resistance against the external enemy was translated into the fight against Communism and the 'Judeo-Masonic' world conspiracy. The Catholicism of those who fought the French became Franco's ruling National Catholicism; the defence of Spain's eternal values was incarnated in selected heroes and heroines—most notably Agustina de Aragon, who *in extremis* fired a cannon to repel the French in the siege of Saragossa—while the invaders' sacrilegious mayhem was replicated by the Republicans, who burnt churches and slaughtered priests and nuns. Whenever the regime felt itself particularly threatened, the TV would replay old film of churches in flames and the corpses of disinterred nuns. It should be noted, in passing, that during the Civil War the legitimate Republic's defenders also used the popular anti-Napoleonic resistance in propaganda to depict the conflict as the Spanish people's fight against German, Italian and Portuguese Fascist invaders, allied with the privileged classes, the Church and Spanish military traitors. Thus the mythologized vision of the 1808–14 war served as a catch-all for both sides.

We are now back where we started. In this context, it is worth observing that what came, two decades after the conflict's end, to be known generally as Spain's War of Independence is in Catalonia called the War of the French. There was, in other words, no 'master narrative' of the war that was of use in creating the imagined Catalan community. The celebrations elsewhere of the modern 'nation's birth' were so muted in Catalonia as to be imperceptible—despite the fact that it fought the French longer than any other region and was one of the two which most suffered materially and demographically. The Catalan educated classes, however, were among the most conservative of patriots, steadfastly supporting the newly founded central government—the Junta Suprema and subsequently the Regency—and

sent few liberals as their representatives to the constituent Cortes. But then Catalonia's imagined community was proposed only a century later and so this particular past did not serve.

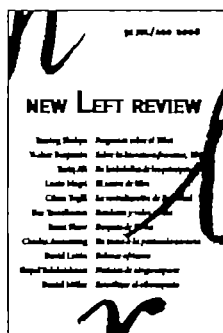
Myth-making about the May 2, 1808 rising against the French continues apace in Madrid, nonetheless. The president of the Madrid autonomous region, Esperanza Aguirre—the most notable right-winger of the Partido Popular—opened one of the innumerable exhibitions celebrating the event last year, by stating that ‘in 1808 the Spanish showed their latent feeling of belonging to a Nation and also became aware that the Nation belonged to them.’ The ‘Spanish’? The statement was not even true of the *madrileños*, as a number of Spanish historians have pointed out. But Castile and the capital have had many centuries of practising the art of being ‘Spain’, and they are not likely to give it up any day soon.

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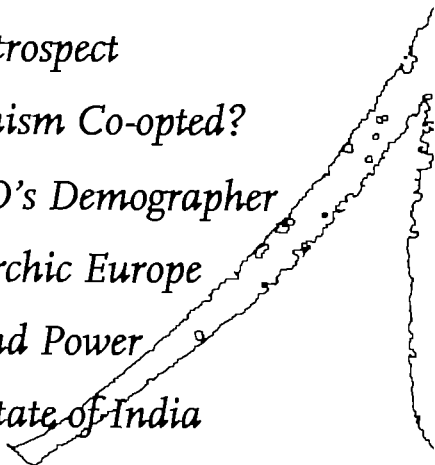
Nancy Fraser *Feminism Co-opted?*

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Geoff Mann vs Robin Blackburn

*Opportunities of the Financial Crisis*





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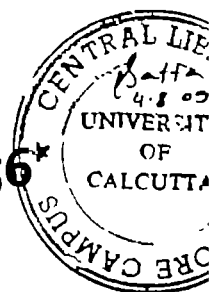
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Does Obama's victory signal a political turning point comparable to 1980 or 1932? Mike Davis maps county-level changes, from below—minority-majority demographics, subprime suburbs, white-collar financial worries—catalysed by the 2008 campaign. From above, realignment of American capital behind the Silicon President.

### DYLAN RILEY: Freedom's Triumph?

Reviving its classical definition, 'rule of the propertyless', Luciano Canfora recasts the story of democracy in Europe as one of successive defeats, with lessons from Louis Napoleon on the use of suffrage as legitimation for oligarchic rule. Dylan Riley assesses a remarkable historical polemic from the Italian philologist.

### GIOVANNI ARRIGHI: Winding Paths of Capital

The author of *Long Twentieth Century* and *Adam Smith in Beijing*, interviewed by David Harvey, on dispossession and development, capitalist crises, China's future. The political education of a teenage factory-manager, via African liberation struggles and *autonomia operaia*; and influences—Braudel, Gramsci, Smith, Marx—in Arrighi's work.

### NANCY FRASER: Feminism and the Ruse of History

Do feminism and neoliberalism share a secret affinity? Nancy Fraser on the co-option of gender politics by the 'new spirit' of post-Fordist capitalism, and subordination of its radical critique to a World Bank agenda. Might a neo-Keynesian shift offer prospects for socialist-feminist renewal?

### GEOFF MANN: Colletti on the Credit Crunch

What political opportunities arise from the current financial crisis? In a critical response to Robin Blackburn's essay in *NLR* 50, Geoff Mann proposes the insights of Marx's theory of value as a starting point for thinking beyond capitalist social relations—as Blackburn's measures, he argues, do not.

### ROBIN BLACKBURN: Reply to Mann

In answer, Blackburn explores the paradoxes of fictitious capital, underwritten by super-exploitation of China's producers. A public-utility credit system, democratic forms of nationalization and mechanisms to socialize investment as steps towards financial dual power.

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SUMIT SARKAR on Guha, *India after Gandhi*. The subcontinental giant as 'unnatural nation' in the first history of the post-Independence era.

BARRY SCHWABSKY on Groys, *Art Power*. Essays on aesthetics and politics, founded on the disconcerting insights of late-Soviet conceptualism.

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*Editorial*

OBAMA AT MANASSAS

ON ELECTION EVE last November, the little city of Manassas, Virginia became the improbable Woodstock of Generation Obama as thousands gathered to hear their candidate close his almost two-year-long campaign with a final appeal for 'Change in America'. It was a grand finale orchestrated with considerable self-confidence and irony. Although Manassas (population, 37,000) retains blue-collar grit, the rest of Prince William County (380,000) epitomizes the greedy sprawl of the Bush era: a disorganized landscape of older townhouses, newer McMansions, faux-historical shopping centres, high-tech business parks, evangelical mega-churches, pariah islands of apartment housing, and melancholy vestiges of a graceful Virginia countryside. Assuring the County a prominent footnote in Tom Clancy novels, its southeastern corner is annexed by Marine Corps Base Quantico and the FBI national training centre.

As the Dixie edge of 'Los Angeles on the Potomac' and the seventh richest large county in the United States, Prince William is precisely the kind of 'outer' or 'emergent' suburb which Karl Rove famously mobilized to re-elect George W. Bush in 2004.<sup>1</sup> Indeed, since Nixon's victory over Hubert Humphrey in 1968, the Republican Party has counted on Sunbelt suburbs like Prince William County to generate winning margins in national elections. Reaganomics, of course, was incubated in the famous tax revolts that shook suburban California in the late 1970s, while Newt Gingrich's 1994 'Contract with America' was primarily a magna carta for affluent voters in Western exurbs and New South edge cities. Even as the suburbs aged and densified, the Republicans drew power from the contradiction that 'post-suburban Americans remained resolutely anti-urban even as their world has become increasingly urbanized.'<sup>2</sup>

Obama, in effect, signalled the beginning of a new epoch when he chose to climax his campaign on what has been the wrong side of the suburban Mason–Dixon Line for most national Democrats since the 1960s (Jimmy Carter and Bill Clinton only partly excepted). Although the rally was not scheduled to begin until 9pm, crowds were already streaming into the Prince William County Fairgrounds by sunset, and southbound Interstate 66 was jammed half way back to Washington DC, 26 miles to the northeast. A *Washington Post* blogger marvelled at the numerous Redskins fans, bedecked in team gear, who had chosen to hear Obama over attending Monday night's classic game against the Pittsburgh Steelers. The state police estimated the multitude in excess of 80,000, but the Obama camp was certain that their candidate spoke to more than 100,000—perhaps the largest audience for an election-eve speech in American history.

The last time a throng this vast had converged on Manassas was in late August 1862, when Robert E. Lee's Army of Northern Virginia collided with the larger Union Army led by the incompetent John Pope. Twenty thousand soldiers, dead and wounded, spilt their blood on soil already stained red from the opening major battle of the Civil War a year earlier. (Southern custom, which named battles after the nearest town, enshrined this slaughter as the 'Second Battle of Manassas', while in the North, where battles were baptized with the name of the nearest river or stream, it was 'Second Bull Run'.) Obama, who had launched his general election campaign in Prince William, was well aware that he spoke on symbolic ground, hallowed by an ancient war yet incompletely redeemed from the legacy of slavery.

When, after a long delay in traffic outside Dulles Airport, he finally strode on stage about 10.30, he was weary but exultant. As he had done

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<sup>1</sup> Befitting the capital of an empire, Washington DC has the nation's most affluent suburban fringe. As Thomas Frank points out in *The Wrecking Crew: How Conservatives Rule* (New York 2008), five of the seven richest US counties with populations over 250,000 are DC suburbs in neighbouring Maryland and Virginia (pp. 11 and 277). On the strategic role of emergent suburbs in 2004, see Ronald Brownstein and Richard Rainey, 'GOP Plants Flag on New Voting Frontier', *LA Times*, 22 November 2004; and Gregory Giroux, 'A Line in the Suburban Sand', *CQ Weekly*, 27 June 2005.

<sup>2</sup> Jon Teaford, *Post-Suburbia: Government and Politics in the Edge Cities*, Baltimore 1997, p. 6.

scores of times before, he promised his supporters that their ordinary 'hard-working sense of responsibility' would define his new government, not the 'greed and incompetence' that had characterized the age of Bush. Younger supporters repeatedly took up the signature campaign chant, borrowed from the struggle of California farmworkers in the 1960s, of 'Yes we can!' ('¡Sí se puede!' in the original). Almost as tall as Lincoln, and sometimes nearly as eloquent, Obama roused a final, immense cheer with the reassurance: 'Virginia you can change the world'.<sup>3</sup>

### *Obama beats Lee*

In 2004, George W. Bush won Virginia by 54 per cent and Prince William by 52.8 per cent. Since 1948 only Lyndon Johnson had managed to carry the Old Dominion for the Democrats, and John McCain was favoured to preserve Republican tradition in a state with famously large numbers of military and Christian conservative voters. Republican-controlled Prince William County, notorious for its right-wing delegation in the Richmond legislature, as well as its recent persecution of undocumented Latino immigrants, 'prided itself as being the last Republican redoubt in northern Virginia'.<sup>4</sup>

In the event, Virginia's voters, including the good burghers of Prince William, gave Barack Obama a 52.7 per cent victory in the state, and a 57.6 per cent margin in the county—a whopping 12-point improvement over 2004. Whereas Kerry won only one of Virginia's four major regions (northern Virginia), Obama easily took three, adding the Capital region and Hampton Roads/eastern Virginia; while McCain eked poor consolation in the Appalachian southwest.<sup>5</sup> It was a stunning result. A Black Democrat with a Muslim name had come to Manassas and, in effect, beaten the ghosts of Robert E. Lee and Jim Crow. Is the world, as a result, changing? Have the gridlocked tectonic plates of American electoral politics finally lurched to the left?

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<sup>3</sup> The Manassas rally can be viewed on YouTube. Unless otherwise attributed, exit poll data is from Edison Media Research and Mitofsky International, the pollsters for the National Election Pool (ABC, CBS, NBC, CNN, Fox and AP), and can be accessed from any of the sponsors' sites. County-level presidential returns are from the *New York Times's* updated map at [elections.nytimes.com](http://elections.nytimes.com).

<sup>4</sup> Kristen Mack, 'Prince William, the State's Bellwether', *Washington Post*, 12 November 2008.

<sup>5</sup> 'Blue Virginia', 2008 Election Brief, Metropolitan Institute, Virginia Tech.



Psephology—the statistical analysis of elections—is an inscrutably American obsession, like chewing tobacco or varmint hunting. Although Margaret Thatcher, Tony Blair and Ehud Barak have all toyed with the dark art, and a Brit originally coined the Greek-cognate term in the 1950s, only those native-born in a Louisiana bayou or a Washington law firm are likely to possess the consummate instinct for extracting winning strategies from a few shavings of an electoral vote. Some have compared voting analysis to the subtle skill of a *sommelier*, but it is actually more akin (to extend the French analogy) to the acute attentiveness of Louis XIV's physicians to the contents of the royal chamber pot. With recent national elections decided by 'hanging chads' in Florida and a few absentee ballots in Ohio, the slightest statistical deviation from an established trend attracts intense scrutiny from the epigones of Lee Atwater and James Carville. In their quest for a few decisive votes, campaign 'boiler rooms' have become monastically dedicated to the tracking of obscure fads on YouTube and the micro-targeting of vegetarians in Nebraska.

From this perspective, Obama's victories in Virginia and other 'swing states' like Colorado, Florida and North Carolina constitute the gold ring: a once-in-a-generation acceleration of attitudinal change in the electorate. Conservative analysts, especially, worry that the election may augur a political transformation comparable to Roosevelt's epochal victory in 1932 or Reagan's in 1980. Indeed, with Wall Street and Detroit suddenly in ruins, and fear eating the soul of the suburban middle class, the Republican Party seems to be dissolving into an endless acrimony of sectarian factions and cult leaders with limited national appeal, such as Sarah Palin. In contrast, Obama has generously opened the White House doors to Clintonites and Republicans, reinforcing his image as a pragmatic centrist focused on competent government and national unity.

Political pundits and party strategists in their majority weigh the meaning of this election upon the balance-scale of the theory of electoral realignment first proposed in 1955 by the legendary Harvard political scientist V. O. Key, Jr. and later developed in detail by his MIT protégé, Walter Dean Burnham. In order to explain the rise and fall of successive party systems from Andrew Jackson to Ronald Reagan, they postulated a causality analogous to Eldredge and Gould's 'punctuated equilibrium' paradigm in paleontology, where electoral evolution is compressed into episodic reorganizations that are synchronized with major economic crises

(1896, 1932 and 1980). Although many academics remain sceptical, Key and Burnham's thesis of the 'critical election' that durably realigns interest blocs and partisan loyalties remains the holy grail of every actual presidential campaign.<sup>6</sup>

In his *Critical Elections and the Mainsprings of American Politics*, Burnham provides a reasonably canonical definition:

The critical realignment is characteristically associated with short-lived but very intense disruptions of traditional patterns of voting behaviour. Majority parties become minorities, politics which was once competitive becomes noncompetitive or, alternatively, hitherto one-party areas now become arenas of intense partisan competition; and large blocks of the active electorate—minorities, to be sure, but perhaps involving as much as a fifth to a third of the voters—shift their partisan allegiance.<sup>7</sup>

Although Obama's 53 per cent majority of the popular vote is not the definitive landslide of FDR's 1932 election (57 per cent), it improves upon Reagan's 1980 performance (51 per cent) and, of course, overshadows Clinton's first fortuitous plurality (43 per cent in a three-way race).<sup>8</sup> Excepting FDR's four victories and Lyndon Johnson's annihilation of Barry Goldwater in 1964, Obama did better than any Democratic candidate since the Civil War, and his campaign met Burnham's criteria of opening enemy terrain to intense competition while galvanizing new voters and interest groups on behalf of the insurgent party.

His victory, moreover, was wrought by a novel strategy of political communications, operating inside web-based social networks that hardly existed in 2000 and are still poorly understood by older politicians. Although both the 1932 and 1960 presidential campaigns also introduced

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<sup>6</sup> V. O. Key, 'A Theory of Critical Elections', *Journal of Politics*, vol. 17, no. 1, 1955; and Walter Dean Burnham, *Critical Elections and the Mainsprings of American Politics*, New York 1970. For an influential critique, see David Mayhew, *Electoral Realignments*, New Haven 2004.

<sup>7</sup> Burnham, *Critical Elections*, p. 6.

<sup>8</sup> The national turnout of 56.8 per cent (as a proportion of the universe of registered voters) did not break historical records, partly because of a relative decline in votes cast on the West Coast and in New York where Obama's victory was assured. On the other hand, there was a dramatic increase in voter participation in the Deep South (by both whites and Blacks), the Intermountain West, Latino counties and smaller industrial cities of the Midwest. See 'New Voters, New Power Bases' with map, *NYT*, 6 November 2008.

major innovations in political technology (radio and television, respectively), the 2008 Democratic campaign was a Marshall McLuhan-like leap from one media universe to another.

Building upon the template of Howard Dean's Internet 'shock and awe' in the 2004 primary (and retaining Dean's shrewd skills as Democratic national chair), the Obama campaign used Silicon Valley expertise to mine an El Dorado of small donations through social networking and campaign websites.<sup>9</sup> As Joshua Green pointed out admiringly in the *Atlantic*, 'During the month of February . . . his campaign raised \$55 million—\$45 million of it over the Internet—without the candidate himself hosting a single fundraiser.'<sup>10</sup> While trying to compete with this digital juggernaut, the Clinton campaign was driven into bankruptcy during the summer, and McCain was outspent by \$154 million in the fall—a dramatic reversal of the usual Republican financial advantage in presidential elections.<sup>11</sup>

A flush war chest allowed the campaign to intensify voter-registration efforts across the country and mount media blitzkriegs in an unprecedented number of states. The Democrats also made brilliant use of early and absentee ballots (almost one-third of the total vote) to ensure the suffrage of blue-collar workers, elderly homebound people and inner-city residents—all of whom traditionally have trouble getting time off to vote or face unusually long waits at polls. New weapons, such as the candidate blog—a digital version of the fireside chat—and viral political messaging were deployed to support a huge army of volunteers (5,000 in Prince William County alone), while saturation television advertising, automated phone calls, and regiments of rock stars softened up enemy positions.

The Obama camp exploited every opportunity to portray the election as an epochal techno-generational conflict, pitting the youthful many-hued netroots against obese AM-hate-radio fans and robotic evangelical congregations. Multi-tasking on his beloved Blackberry or plugged into

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<sup>9</sup> Internet politics' moment of conception, however, was the creation of MoveOn.org in 1998. Carl Cannon, 'Movin' On', *National Journal*, 2 December 2006.

<sup>10</sup> Joshua Green, 'The Amazing Money Machine', *The Atlantic*, June 2008.

<sup>11</sup> Federal Election Commission: [www.fec.gov](http://www.fec.gov).

his MP3 player during his morning workout, Obama was easily cast as an epitome of those 21st-century competencies that some psychologists claim may represent a human evolutionary leap, while McCain, with his self-confessed computer phobia and archaic elocutions ('My friends . . .'), was prone to caricature as an escaped Alzheimer's patient.

But revolutions in political communications do not automatically make realignments, and widely hailed new eras in American political history have sometimes turned out to be short-lived mirages. In Burnham's cautious construction, a 'realigning election' can only be ratified as a watershed after the political system has unambiguously begun to consolidate its results. Thus Carter's 1976 victory, which some contemporaries hailed as a Democratic rebirth in the South, led a divided party straight into a hopeless *cul de sac*, while Clinton's defeat of George Bush senior in 1992 was an achievement shared with maverick billionaire Ross Perot, who hijacked 19 per cent of the vote, mainly from Bush, and soon checked by the Republican sweep of the House of Representatives in 1994. (As Matt Bai reminds us, 'the booming nineties had, in fact, been the party's worst decade since the roaring twenties.')

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Obama, who will be the first president ever to face the dual challenges of foreign war and economic depression, undoubtedly risks the possibility of a Republican resurgence in 2010 or 2012. Moreover his popularity like Bill Clinton's exceeds that of his party, and a less-than-stunning contingent of new Democrats rode his coattails to victory in November. (Democrats had hoped to win 10 new Senate seats and 30 or more new House seats; in the event, they had to settle for 7 and 21, respectively.) But psephologists are likely to give Obama better odds for leading a partisan realignment than they gave to Carter or Clinton. Even the most preliminary analysis of the 2008 presidential vote reveals new alliances and shifting loyalties that a deepening economic crisis may cement as a durable Democratic if not liberal majority.

These potentially realigning trends include the disappearance of 'inverted 1896' on the national election map; the probable peaking of the evangelical vote and the Republican 'culture war' strategy; Obama's victories in Karl Rove's bellwether suburban counties; the reappearance of a rainbow

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<sup>12</sup> Matt Bai, *The Argument: Billionaires, Bloggers and the Battle to Remake Democratic Politics*, New York 2007, p. 7.

coalition in the electorate; a Latino backlash against nativism; and the political triumph of the New Economy over the Old.

### *Breakup of red America*

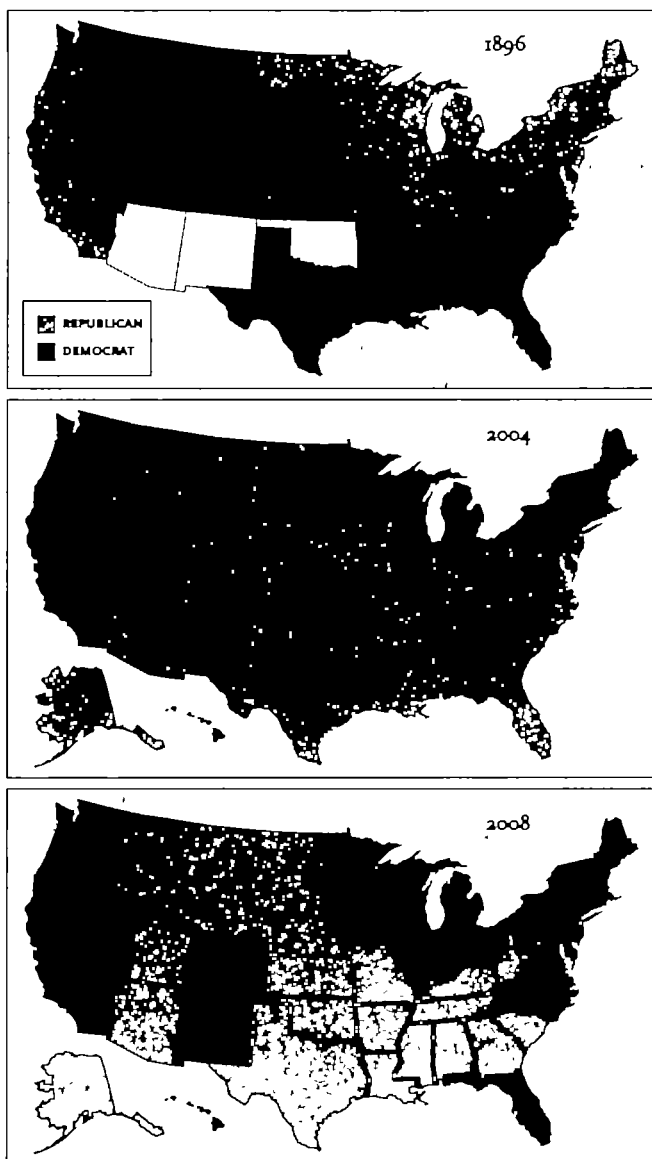
In the famous 'critical election' of 1896, Ohio's William McKinley, a Gold Standard Republican, won the White House with an overwhelming electoral mandate from the states of the Northeast and Great Lakes, plus the votes of California and Oregon. Conversely, his opponent, the Nebraska Democrat and 'Silverite' William Jennings Bryan, commanded the sparser electoral votes of the Intermountain West, the Great Plains and the former Confederacy. Pro-tariff Republicans, in other words, ruled the industrial heartlands while cheap-money Democrats voiced the discontent of miners and farmers in the Western and Southern peripheries.

For the last decade, the exact inverse of the 1896 vote has defined the distribution of so-called Red and Blue states. Thus, Bush's Machiavelli, Karl Rove, squarely based presidential campaign strategies in 2000 and 2004 upon impregnable Republican majorities in the once Bryanite interior West and the South, while Gore and Kerry counted on solid Democracy in the former McKinleyite heartlands. The great swing states of the 1960s–80s era, California and Texas, had been captured, respectively, by liberal Democrats and conservative Republicans in the 1990s, so what remained in play in an era of extremely close popular votes was a handful of 'purple states': most importantly, electoral-vote-rich Colorado, Missouri, Ohio and Florida.

Although (as we shall see) a simple change in analytic magnification renders a different view of this reheated war between the states, as a complex struggle between electorates in the cores and peripheries of metropolitan systems and urban corridors, the concept of a primal regional divide in presidential politics was etched anew in the social imaginary of the Bush era. Indeed, the larger part of Sarah Palin's role as McCain's running mate was to incessantly and obnoxiously remind voters of the 'real America'—apotheosized by her dreary Anchorage suburb—and its alien Other.

In theory, however, a candidate for president does not need to command a Red or Blue nation or even sweep a majority of states: the electoral votes of the eleven most populous states will suffice. Obama won nine, losing

*US elections of 1896, 2004 and 2008*



Source: The American Presidency Project, UC Santa Barbara

only Texas and Georgia. By subtracting three of the largest Southern states and three of the most populous Intermountain states from the inverted 1896 map, he destroyed the Rovian myths of the (new) Solid South and Red State America.

In the former Confederacy, containing about one-third of the American population, McCain lost Virginia, North Carolina and Florida: large states with advanced economies and well-educated, rapidly growing electorates. In both Virginia and North Carolina, Obama's victory was built upon an alliance of African-Americans and white professionals, reinforced by immigrants and college students.<sup>13</sup> In Georgia, meanwhile, Obama earned a larger share of the vote (47 per cent) than any Democrat since Jimmy Carter, putting the Peach State back into the swing category. Republican strategists should be especially worried by his strong showing (45 per cent) in Atlanta's outer-suburban belt—Cobb and Gwinnett counties with a population of nearly 1.5 million—where a growing Black middle class, along with a significant Latino migration, is eroding one of the most important conservative voting blocs in the country. Although McCain won Texas by almost one million votes, he lost both Dallas and Harris (metro Houston) counties, thereby boosting Democratic hopes of ending Republican supremacy in the next election cycle.<sup>14</sup>

In the West, the senator from Illinois ran away with the crucial electoral votes of Colorado, Nevada and New Mexico. For the first time, the Democrats became a majority, if only by a sliver, in the aggregate presidential vote of the five 'megas' of the Intermountain West, the fastest growing region in the country. These new Los Angeleses (heavily populated by fugitive Californians) have become first-division electoral battlegrounds and will gain at least three more congressional seats in the next Census reapportionment.<sup>15</sup> Accordingly, they figure large in Democratic hopes for an enduring realignment.

Elsewhere in the West, Obama made impressive progress over Kerry in Montana, gave the Democrats a reason for living in Idaho, increased their

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<sup>13</sup> Obama won 39 per cent of the white vote in Virginia compared to Kerry's 32 per cent; and 35 per cent in North Carolina, compared to 27 per cent. See Charles Franklin, 'White Vote for Obama in the States, Part 2', *Pollster.com*, 15 November 2008.

<sup>14</sup> Dave Mann, 'Turning Houston Blue', *The Texas Observer*, 17 October 2008.

<sup>15</sup> Michael Teitelbaum, 'Census Estimates Show Clout Again Likely to Go West and South', *CQ Today Online News*, 23 December 2008.

TABLE I: *Electoral Shifts in Five Western 'Megapolitan Areas'*

	Percentage of Democrat vote	
	2000	2008
1. Wasatch Front (Salt Lake City-Provo)	27	37
2. Front Range (Greater Denver)	46	56
3. New Mexico (Albuquerque-Santa Fe)	54	63
4. Sun Corridor (Phoenix-Tucson)	47	44
5. Las Vegas	55	57
Average	45.8	51.4

majority in Tucson, took Omaha (winning the first Democratic electoral vote in Nebraska since 1964), and conquered Salt Lake County (which Bush had carried by 80,000 in 2004).<sup>16</sup> The Republicans, on their side, retained millions of acres of uninhabited real estate in Alaska, Wyoming and the Plains states, and with the aid of their two most important Western constituencies—Mormons and retirees—avoided what some polls were predicting as a possible upset in John McCain's home state of Arizona.

Throughout the Sunbelt, moreover, Obama was particularly successful in the all-important 'tech corridors' that drive regional growth: the northern Virginia suburbs of DC as well as the so-called 'Chesapeake Crescent': the Research Triangle of North Carolina, the Space Coast of Florida, the Front Range cities of Colorado, the Albuquerque-Santa Fe corridor in New Mexico, and Silicon Valley plus all of its outliers on the West Coast. Whereas Kerry in 2004 had lost 97 out of the 100 fastest-growing counties, Obama won 15, including the three largest, and added at least 8 points to the Democratic cause in 29 others.

<sup>16</sup> In addition to the slim Obama victory, Democrats—including two Japanese-Americans—took control of the Salt Lake County Council. The consequences are likely to include domestic-partner health benefits, collective bargaining for county employees and an independent redistricting commission. The capital of Brigham Young's Deseret thus continues its recent evolution toward the left. See Jeremiah Stettler, 'In Salt Lake County, election shifted power swings to Dems', *The Salt Lake Tribune*, 6 November 2008.



Nor did the GOP find solace in the patriotism and family values of the old industrial heartlands. McCain originally had high hopes of stealing the largely Catholic, white working-class voters who had rallied during the primaries to Hillary Clinton's impersonation of Rosie the Riveter. But in the shadow of a collapsing auto industry, falling home values, and shrunken retirement accounts, the vast majority of Clinton supporters disdained McCain's 'Joe the Plumber' ads in favour of Obama's oft-repeated if vague promise to save American manufacturing jobs.<sup>7</sup>

The most unexpected Democratic victory in the region was Indiana, a heavily blue-collar but culturally conservative state that gave Bush a larger share of its vote in 2004 (60 per cent) than Mississippi, and thus was scarcely considered competitive terrain. Over the last generation of plant closure and economic retrenchment, Hoosiers have probably offered an even better example than Kansans for Thomas Frank's famous argument in *What's the Matter with Kansas?* (2004) that cultural rage has misled large segments of the white working class into voting against their economic self-interest. In Indiana, at least, class consciousness has undergone a revival.

Indeed Obama's victory was mostly due to a dramatic increase in white support (45 per cent versus 34 per cent for Kerry), especially in smaller stricken industrial centres like Evansville, Kokomo and Muncie—the original 'Middletown' of the Lynds' famous studies in the 1920s and 1930s—that had been solidly Bush in 2004. As James Barnes explained in the *National Journal*, 'This is part of the state's once-vibrant auto manufacturing patch, but much of that industry is gone, and voters who in past elections voted on social issues (Anderson is home to the Church of God) or national security can be won over with a strong economic pitch.'<sup>8</sup>

This was exactly the pitch that the well-heeled Obama campaign made, sending out thousands of impassioned volunteers to talk about jobs and

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<sup>7</sup> The major exception was the former steel region around Pittsburgh in western Pennsylvania, but Obama easily carried the state with the help of crossover voters in the formerly Republican suburbs of Philadelphia.

<sup>8</sup> James Barnes, 'Obama Pulls Off a Hat Trick of Outreach', *National Journal*, 8 November 2008. Rather unbelievably, exit polls in Indiana indicated a slight decline in Black voters' preference for Obama vis-à-vis Kerry.

economic pain, while McCain relied on an underwhelming effort by ranting evangelical churches and dispirited chambers of commerce.<sup>19</sup> The Democratic success in Indiana was replicated in neighbouring northwestern Ohio, where highly energized Obama forces from rusted but still union-proud Toledo canvassed former Bush strongholds in adjacent exurbs and factory towns. As a result the Democrats now own the entire Great Lakes waterfront for the first time since Lyndon Johnson.

Obama also did surprisingly well in Lake Wobegone country: the Lutheran tier of the upper Midwest, historic crucible of political insurgency, where 50 rural white counties in Wisconsin, Minnesota and Iowa that had voted for Bush in 2004 switched in his favour. Although he lost North Dakota, he narrowed the 2004 Republican margin by a whopping 19 points. In Missouri, where Obama scored

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TABLE 2: *Distribution of Electoral Votes*

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*Won by Obama*

1. Republican core states: Virginia, North Carolina, Indiana	39
2. Republican leaning Nevada, Florida, New Hampshire	36
3. Swing states: Pennsylvania, Ohio, Colorado, New Mexico	55
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*Won by McCain*

1. Democratic core states: Western Virginia (also won by Bush)*	5
2. Swing states: Missouri	11
	<hr/> 16

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\* The Republicans have not won a Senate race in West Virginia since 1956. Although McCain won by 56 per cent (the same as Bush in 2004), the state's Democratic governor was easily re-elected and the Republicans became an even smaller minority in the Legislature.

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<sup>19</sup> 'Exit polls show that nearly a quarter of voters questioned said they had been contacted by the Obama campaign about coming out to vote, compared with 8 per cent for the McCain campaign. Of those contacted as part of the Obama effort, almost three-quarters said they voted for him'. 'State by State', *NYT*, 6 November 2008.

victories in several traditionally conservative St. Louis suburbs, the election produced a virtual dead heat, with McCain ultimately winning by less than 4,000 rural votes.<sup>20</sup>

In the Northeast, meanwhile, the election was an extinction-level event for the Republican Party, which lost its last House member from New England. Dutchess County in New York—notorious in the 1930s and 1940s as a poison swamp of Roosevelt haters—quietly joined the Obama landslide, as did one of the suburban last stands of the Republican Party in greater New York City: Suffolk County on eastern Long Island.

McCain's meagre improvements over Bush in 2004 were confined to the Cajun parishes of Louisiana and the upland South, a 400-mile long belt of majority white-evangelical counties stretching from the hills of eastern Oklahoma through the mountains of West Virginia. Here, apparently, race and/or fundamentalist religion decisively shaped the outcomes. Homespun, wisecracking Bill Clinton had been popular in this largely poor region, but it was small consolation for 'William Jennings' McCain to win Jonesboro and Hazard when he was losing key demographics in Charlotte and Orlando.<sup>21</sup>

### *Republicans lose their edge*

If the shrewdest gambit of the Obama team during primary season was to outflank the Clinton juggernaut by wooing oft-ignored Democrats in largely Republican 'caucus states', their boldest move after the convention was to concentrate unprecedented resources to swing big suburban counties that had hitherto been considered unalterably Republican. Gore and Kerry, with fewer bucks and less audacity, had eschewed big raids into the Rovian heartland in favour of mobilizing more votes in reliably Democratic metropolitan cores and inner suburbs. But the Obama campaign embraced the 'we-can-swing-the-suburbs' strategy

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<sup>20</sup> Although the Nader campaign was ignored in the national media this time around, his 17,000 votes in Missouri certainly vexed the hopes of local Democrats.

<sup>21</sup> National and state politics do not necessarily recapitulate each other in the United States. For example, five of the states comfortably won by Bush in 2004 and McCain in 2008 have solid Democratic majorities in their state houses (Arkansas, Alabama, Kentucky, Mississippi and West Virginia).

TABLE 3: *Disappearing Crabgrass Majority*

<i>Republican suburban vote (percentage)</i>	
1984	61
1988	57
2004	52
2008	48

Source: Norman Ornstein, 'The GOP's deep hole', *Los Angeles Times*, 9 November 2008

successfully tested in recent Virginia elections by Democratic master gamer Mike Henry. They therefore defiantly planted the flag in dynamic demographics such as Prince William County where they calculated that franchise managers, accountants and civil servants were more concerned about plunging 401-K retirement accounts and negative home equity than the spectre of gay monogamy. Although race remains a formidable obstacle to wholesale conversion of voters in former suburban bastions of white flight, the campaign believed that it no longer precludes the possibility of Democratic victories.<sup>23</sup>

This suburban strategy, however, came at a price: a campaign rhetoric that obsessively flattered the needs of the 'middle class', but seldom focused on structural unemployment or equity issues affecting millions of urban and non-white Obama voters. Moreover, most Democrats running in the outer suburbs (like the previous cohort in 2006) were competing on conservative platforms—often pro-gun, anti-tax and anti-immigrant—that demanded minimal ideological shift from voters. As Chris Cillizza, the *Washington Post's* chief political analyst, warned liberals after the election: 'The fact that roughly a third of the Democratic House majority sits in seats with Republican underpinnings (at least at the presidential level) is almost certain to keep a liberal dream agenda from moving through Congress. The first rule

<sup>23</sup> Alec MacGillis and Jon Cohen, 'Democrats Add Suburbs to Their Growing Coalition', *Washington Post*, 6 November 2008.

TABLE 4: *Three Orange Counties*

	<i>Republican vote (percentage)</i>	
	1992	2008
New York	62	48
Florida	65	40
California	68	51

of politics is survival, and if these new arrivals to Washington want to stick around, they are likely to build centrist voting records between now and 2010.<sup>23</sup>

But most liberal Democrats were blinded by the light of Obama's big victories in suburban counties that had been crucial to Bush's in 2004: Jefferson and Arapahoe (metro Denver) in Colorado, Hillsborough (Tampa) in Florida, Wake (Raleigh) in North Carolina, Washoe (Reno) in Nevada, Berks and Chester (Philadelphia) in Pennsylvania, Hamilton (Cincinnati) in Ohio, Macomb (Detroit) in Michigan, and Riverside in southern California.<sup>24</sup> Indeed, he won 9 of 12 swing suburbs in twelve swing states monitored by the Metropolitan Institute (Kerry had eked narrow victories in only three).<sup>25</sup> He also conquered 2 of the 3 iconic Republican counties named Orange (Florida and New York), and gave the McCain camp a bad scare in the third (California).

'Suburban', however, is an obsolete, almost obscurantist characterization of the socio-spatial location of these swing voters. Urban geographers and political scientists have proposed competing typologies to describe the 'post-suburban' metropolis, but there has been little consensus about

<sup>23</sup> Chris Cillizza, 'Five Myths About an Election of Mythic Proportions', *Washington Post*, 16 November 2008. See also Richard Cohen and Brian Friel, 'The New Centre', *National Journal*, 7 March 2008.

<sup>24</sup> Alec MacGillis and Jon Cohen, 'Democrats Add Suburbs'.

<sup>25</sup> Swing suburb list from Robert Lang, et al., 'The New Suburban Swingers: How America's Most Contested Suburban Counties Could Decide the Next President', 2008 *Election Brief*, Metropolitan Institute, Virginia Tech, p. 5.

how to define or what to call the brave new world beyond Levittown.<sup>36</sup> Recent election analysis, however, has favoured the county-code schema developed by Robert Lang and Thomas Sanchez at the Metropolitan Institute at Virginia Tech:

*Core Counties* are densely populated central cities. *Inner Suburbs* are close-in suburbs that are densely built (90 per cent of residents live in an urban area) and at least half of workers commute in to the central city. *Mature Suburbs* are dense (75 per cent of residents live in an urban area), well-established counties whose populations are no longer booming. In *Emerging Suburbs*, at least 25 per cent of the population lives in an urban area, and at least 5 per cent commute back in to the central area. Most of their growth has occurred recently. In *Exurban Counties*, large-scale suburbanization is just beginning to take hold and they are most distant from the centre.<sup>37</sup>

The large-scale electoral trend over the last generation has been a growing Democratic majority in the ageing inner suburbs (the first, often disappointing rungs in non-white geographical and social mobility), political stalemate in the demographically more stable and segregated mature suburbs, and large, reliable harvests of Republican votes in outer suburbs and exurbs. 'In either Red or Blue states', write Lang and Sanchez,

the pattern remained the same. There is a metropolitan political gradient in the big US metro areas: the centre tilts to Democrats and the fringe to Republicans. In between these extremes, the vote slides along a continuum, coming to a midpoint mostly in the mature suburbs.<sup>38</sup>

But the housing bubble and suburban construction frenzy of the 2000s, coinciding with the maturation of job markets in now 20 and 30-year-old 'edge cities' (high-density clusters of office and shopping space, usually located at the intersection of radial and circumferential free-ways), changed both the calculus of household locational decisions and the financing of mortgages, inducing more minority and immigrant

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<sup>36</sup> Robert Lang and Patrick Simmons, 'Boomburbs: The Emergence of Large, Fast-Growing Suburban Cities', in Bruce Katz and Robert Lang, eds, *Redefining Urban and Suburban America: Evidence from Census 2000*, Brookings Institution, Washington DC 2003, p. 104.

<sup>37</sup> Lang, et al., 'The New Suburban Swingers', p. 2.

<sup>38</sup> Lang and Thomas Sanchez, 'The New Metro Politics: Interpreting Recent Presidential Elections Using a County-Based Regional Typology', 2006 Election Brief, Metropolitan Institute, Virginia Tech, p. 5.

families to leap-frog into emerging suburbs, often with the help of non-traditional loans. As a result, non-white households for the first time became the fastest-growing segment of suburban peripheries in many metropolitan areas. The challenge to the Obama campaign was to use this new demographics as an Archimedean lever to shift the suburbs, even in the South, toward the Democrats.

Prince William County again is a bellwether. A study last year by the Northern Virginia Regional Commission revealed that minorities, especially Latinos and Asians, have contributed a stunning 94 per cent of Prince William's population growth from 2000. Since Bill Clinton became president, the County's non-white population has burgeoned from less than one fifth to almost one half, and Prince William will soon become northern Virginia's first 'minority-majority' county. 'A seismic population shift', wrote the report's author, 'has been sweeping across the entire southern rim of northern Virginia where more affordable housing prices, like a powerful magnet, have been pulling households [to the outer suburbs]—predominantly immigrant and minority families who are either finding it too expensive to live closer in or are looking further out for a place they can afford to buy.'<sup>29</sup>

But 'affordable' mortgages turned abruptly into negative equity and then foreclosure during the course of the long presidential campaign. What Goldman Sachs back in 2006 had predicted would be a 'happy slowdown', turned into a general annihilation of popular wealth and home values.<sup>30</sup> By the eve of the Manassas finale, Prince William County had become the epicentre of the mortgage crisis in metropolitan Washington DC with nearly 8,000 foreclosures. Single-family homes had lost more than 30 per cent of their value; townhouses, at least 40 per cent. Between Obama's first and last rally, dozens of businesses had been boarded up in downtown Manassas, tech companies had made deep cuts in their workforces, and a new website emerged to gleefully document the growing number of derelict McMansions in the region.<sup>31</sup>

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<sup>29</sup> Ken Billingsley quoted in Nick Miroff, 'Diversity Blooms in Outer Suburbs', *Washington Post*, 3 November 2008.

<sup>30</sup> 'A Happy Slowdown', *CEO Confidential*, Goldman Sachs, 8 September 2006.

<sup>31</sup> David Sherfinski, 'Sick Suburb', *The Examiner*, 10 December 2008; and Mary Kane, 'At the Frontline of the Foreclosure Crisis, Counties Go It Alone', *Washington Independent*, 24 November 2008.

TABLE 5: Democrat Vote in Metropolitan Areas

Share of votes in 50 most populous metropolitan areas

	2004	2008
Core	71.5	75.5
Inner suburb	53.7	60.3
Mature suburb	52.2	57.2
Emerging suburb	40.3	45.2
Exurb	38.1	41.8

Source: 'The New Metropolitan Era', Metropolitan Institute, Virginia Tech, 2008

Although no stratum of Prince William society was exempt from the subprime massacre, it was most lethal to minority new homeowners. In a series of articles, the *Washington Independent* chronicled the fate of Georgetown South, a subdivision of several hundred townhouses in Manassas where sheriff's deputies have been working overtime to evict blue-collar residents, many of them Central American immigrants, caught in a vise between the exploding costs of their mortgages and the collapse of local job markets. A typical sad case was a Salvadorean housepainter earning \$500 per week, who had been offered a no-down-payment 'Alt-A' loan from a subsidiary of (now defunct) Lehman Brothers in 2005 to finance a \$280,000 home. In recent months, his townhouse lost more than \$50,000 in value, monthly payments on his adjustable-rate mortgage jumped from \$1,400 to \$2,600, his tenants were forced to flee a county crackdown on undocumented Latinos, and work in the construction industry evaporated.<sup>32</sup>

Projected upon a national canvas, such stories explain how McCain's comfortable 48 per cent to 42 per cent lead in the suburbs following the Republican convention was eroded during the bleakest autumn in generations.<sup>33</sup> Polling showed that a significantly higher proportion of

<sup>32</sup> Mary Kane, 'Foreclosure Machine Grinds On Through Holiday Season', *Washington Independent*, 4 December 2008.

<sup>33</sup> Poll statistic from *Dallas News*, 5 October 2008.



Obama's suburban supporters had recently lost home equity, a job or both. The Obama campaign, in effect, became the party of suburban pain as well as ethnic diversity.<sup>34</sup> The general election as a result consolidated a Democratic majority in inner and mature suburbs, while closing the partisan gap on the periphery and mobilizing enough white voters to win many emergent suburbs.

### *The rainbow fulcrum*

This electoral shift in the suburbs, of course, mirrors even more fundamental changes in the American voting universe. In 1976 when Jimmy Carter beat Gerald Ford, the active electorate was 90 per cent white non-Hispanic. Last November, the white share was down to 74 per cent; a transition toward voter diversity whose future is assured by demographic momentum. Nearly half the babies, for instance, born in the United States during the last few years had Spanish surnames, and American 'minorities' separately counted would constitute the twelfth most populous nation on earth (100.7 million).<sup>35</sup> Over the course of the Bush administration, the Latino voting-age population in Virginia increased 5 times faster than the population as a whole, 11 times faster in Ohio, and almost 15 times faster in Pennsylvania.<sup>36</sup> As Karl Rove and other nervous Republican strategists well understand, the GOP has probably already harvested its maximum crop of white evangelical votes and will be culturally and politically marginalized unless it sinks new roots amongst immigrants and the coming 'minority-majority'.

Indeed the real drama last November was not the relative size of the vote (only a smidgen larger than in 2004), but its prophetic demographics.<sup>37</sup> Electoral soothsayers paid particular attention to 'Millennial generation' voters (18–29 year olds)—supposedly weaned on the Web, comfortable with diversity, but angry over declining economic opportunity—as

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<sup>34</sup> Press release, 'National Centre for Suburban Studies Releases Results of Only 2008 Presidential Poll to Focus Exclusively on Suburban Voters', Hofstra University, 29 September 2008.

<sup>35</sup> US Census Bureau News, 'Minority Population Tops 100 Million', 17 May 2007.

<sup>36</sup> Kevin Pollard, 'Swing, Bellwether, and Red and Blue States: Demographics and the 2008 US Presidential Election', Population Reference Bureau website, October 2008.

<sup>37</sup> Indeed, voter participation in the United States remains extremely low by world standards. About 100 million eligible American citizens did not vote last year, despite \$1.6 billion in political advertising by both parties.

TABLE 6: *Voters Aged 18–29*

	<i>Democrat</i>	<i>Republican</i>
2000	48	46
2004	54	45
2008	66	31

a potent force for realignment.<sup>38</sup> In the first instance, the Millennium did punctually arrive, with Obama winning two-thirds of the youth vote (with a turnout of about 53 per cent). But internal trends within this electoral sub-universe (58–60 million individuals) reflect dramatic variation over region and social class.

The generation gap amongst white voters, for example, was large in states like California, New York and Massachusetts where Millennials gave Obama 10 to 15 per cent more of their vote than did older cohorts, but the white age differential was negligible or even negative (South Carolina) in some Southern and Plains states. Class, meanwhile, remains a huge determinant of whether Millennials vote or not: in 2000 and 2004, more than two thirds of those who had finished college cast votes, while roughly one third of those with only high-school degrees entered a voting booth. But of those non-college Millennials who did vote in 2008, the difference was stunning, especially amongst whites.<sup>39</sup> Compared to the Kerry vote in 2004, Obama's support in the young white working class increased 30 points amongst women, 14 points amongst men. A recent briefing to the Democratic Party emphasizes the strategic urgency of consolidating this partisan shift of young white Burger King workers and nurses-aides: 'it could derail any Republican attempt to rebuild a Reagan coalition and eventually ensure a stable long-term Democratic majority'.<sup>40</sup>

<sup>38</sup> Scott Keeter, 'The Aging of the Boomers and the Rise of the Millennials', in Ruy Teixeira, *Red, Blue and Purple America: The Future of Election Demographics*, Brookings Institution, Washington DC 2008.

<sup>39</sup> Karlo Barrios Marcelo and Emily Hoban Kirby, 'Quick Facts about US Young Voters: The Presidential Election Year 2008', CIRCLE Fact Sheet, Tufts University, Boston.

<sup>40</sup> Andrew Levison, 'How Democrats Can Keep and Expand the Support of the Younger White Working-Class Voters Who Voted for Obama in 2008', *The Democratic Strategist* White Paper, 2008, pp. 1–2.

TABLE 7: *Voting Share Shift from Kerry to Obama*


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Latinos	+14
Blacks	+13
Young	+12
Whites	+ 2

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Source: *New York Times*, 6 November 2008.

But the ultimate fulcrum of the election was not so much the Millennial factor as the voting-day unity of Blacks and Latinos in a renewal of the 'Rainbow Coalition'.<sup>42</sup> Nationally, whites cast 700,000 fewer votes than in 2004, but African-Americans almost three million more, thus providing Obama with a third of his winning margin. Considering the initial hostility of Civil Rights era leaders toward Obama and his 'lack of roots', the mobilization of African-American voters in battleground states was exceptional and nowhere more than in Missouri and Nevada, where turnout increased by 74 per cent and 67 per cent.<sup>43</sup>

But the African-American proportion of the national vote, like that of evangelical whites, will grow very slowly, if at all, over the coming decades. From the standpoint of a durable electoral majority, the Democrats' most important gain in 2008 was the massive support that Obama received from the rapidly growing and much younger Latino electorate, now 12 per cent of total registrants.<sup>44</sup> Mexican-origin voters, for example, clinched his important victories in Colorado and Nevada, while Central Americans reinforced his majority in northern Virginia. In Texas, the Tejano (or, especially, the Tejana) vote was critical to sweeping the big cities and the Rio Grande Valley, despite the usual anti-Democrat

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<sup>42</sup> Almost but not quite true was the assertion by Stephen Ansolabehere and Charles Stewart: 'had Blacks and Hispanics voted Democratic in 2008 at the rates they had in 2004, McCain would have won' See 'Amazing Race: How post-racial was Obama's victory?', *Boston Review*, Jan–Feb 2009.

<sup>43</sup> Jody Herman and Lorraine Minnite, 'The Demographics of Voters in America's 2008 General Election', Project Vote research memo, 18 November 2008.

<sup>44</sup> The median age of the Hispanic population in 2006 was 27.4, contrasted to 36.4 for the population as a whole. Census Bureau News, 'Minority Population Tops 100 Million', 17 May 2007.

TABLE 8: *The Latino Surge*


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	Share of voters		Obama share
	2004	2008	of Latino vote
Arizona	12	16	56
Colorado	8	13	61
Nevada	10	16	76
New Mexico	32	41	69

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Source: Herman and Minnite, 'Demographics of Voters', exit polls cited in footnote 3

anathemas from pro-life Catholic bishops. Obama won Florida thanks especially to a spectacular turnout of Puerto Ricans and Latino immigrants in central Florida, bolstered by the rebellion of a majority of younger Cuban-American voters against the geriatric exile leadership who have for so long been the authoritarian gatekeepers of Republican power in southern Florida.<sup>44</sup>

As in analyses of the causes of immigration, it is useful to distinguish between the 'pull' and 'push' factors in the Latino turnout. Despite much concern in recent years about the fraught state of minority inter-group relations, Obama's sensational popularity amongst young Latino voters (76 per cent in Florida and 84 per cent in California) testifies to the growing importance of non-white or mixed identity as a cultural norm—as has long been the case in Obama's home state of Hawaii—as well as the increased cultural and social integration of African-Americans, Latinos, Asians and immigrants of all kinds in big-city neighbourhoods and older suburbs.<sup>45</sup> Obama was clearly seen as opening the gates of opportunity to the larger Hip-Hop nation, including the possibility of a future Latino or Asian president.

Two 'push' factors were also decisive. First, Latinos/Hispanics in the aggregate lost ground in the Bush bubble economy. As the Economy Policy Institute recently reported,

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<sup>44</sup> Barnes, 'Obama Pulls Off a Hat Trick of Outreach'.

<sup>45</sup> See William Frey, 'Melting Pot Suburbs', in Katz and Lang, pp. 155–79.

the most significant economic change [since 2000] was a 2.2 per cent drop in the real Hispanic family income. This economic stagnation for Hispanics occurred during a period when the gross domestic product grew by 18 per cent and worker productivity by 19 per cent. Yet despite these gains, the Hispanic population did not benefit from the wealth that it helped create in the US economy over the 2000s.<sup>46</sup>

The situation for foreign-born Hispanic households has been more calamitous. According to the same EPI report, between 2000 and 2007 their median incomes fell by 9.1 per cent, and they now find themselves in the front rank of the unemployment being created by the construction industry collapse.

Second, the immigrant Latino community (and therefore anyone with brown skin) has been terrorized by the nativist insurgency in the Republican party—a reign of prejudice which has been mimicked or accommodated by many Democrats outside of the majority-minority core cities (such as Kirsten Gillibrand, the appointed replacement for Hillary Clinton in the Senate). Although the ‘Minutemen’ vigilantes who originally ignited the conservative grassroots are little more than a few fractious *groupuscules*, their core agenda—the construction of a literal Iron Curtain along the Mexican border, the local adoption of anti-immigrant laws, and their enforcement by local police—has become national Republican policy in hard repudiation of the Bush–Rove strategy of immigration reform and cultivation of the Latino vote. In some suburban counties and small cities, hometown experiments in immigration control have become *de facto* campaigns of ethnic cleansing.

Again, Prince William County is a paradigm. As the Latino population exploded with the building boom of the early 2000s, groups like ‘Help Save Manassas’ (which described Latinos as a ‘scourge that’s plaguing the neighbourhoods’) mobilized to drive undocumented immigrants out of the county.<sup>47</sup> In the summer of 2007, as the housing market soured and the demand for construction labour decreased, the county supervisors unanimously voted to cut off public services to undocumented workers. They also mandated the police, working with the federal immigration service (ICE), to check the status of every detainee. The schools, for their

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<sup>46</sup> Algernon Austin and Marie Mora, ‘Hispanics and the Economy’, EPI Briefing Paper 225, Washington DC, 31 October 2008, p. 1.

<sup>47</sup> Kristen Mack, ‘Activists Want Answers on Panel Choice’, *Washington Post*, 23 September 2008.

part, added the requirement that a parent must show proof of legal residency in order to pick up their child after school. 'The message that we are sending', bragged the chairman of the supervisors to the applause of Minutemen and their supporters nationwide, 'is: "If you are an illegal alien, you are not welcome in Prince William County."'48

While the Help Save Manassas crowd debated 'whether or not illegal aliens have a preferred breeding season', the *Washington Post* reported that:

the vibrant Latino subculture built in Prince William County over more than a decade [has started] to come undone in a matter of months . . . With Latinos feeling the combined effects of the construction downturn, the mortgage crisis and new local laws aimed at catching illegal immigrants, Latino shops are on the brink of bankruptcy, church groups are hemorrhaging members, neighbourhoods are dotted with for-sale signs, and once busy strip malls have been transformed into ghost towns.<sup>49</sup>

### *Rules of avoidance*

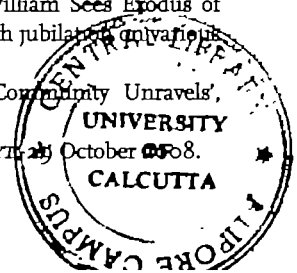
But immigrants, if omnipresent in the local combustion of the campaign, were missing persons in the national presidential debate. By what was surely negotiated agreement, the candidates avoided the mutual embarrassment of discussing each other's opportunistic concessions on immigrant rights. McCain, incredibly, had disavowed his own major immigration reform bill, co-authored in 2006 with Teddy Kennedy, while Obama, as the *New York Times* observed, had 'hardened his tone on how to deal with illegal immigrants' in accord with the 'new law-and-order language adopted in the Democratic Party platform at the convention'.<sup>50</sup> Since both candidates were also competing in the Spanish-language media as the best friend of immigrants, they had no reason to expose so much mutual hypocrisy.

A similar polemical balance of terror ruled the debate about the financial crisis and the federal bank bailout. As the debt pyramid collapsed,

<sup>48</sup> Nick Miroff, 'Prince William Immigration, Housing Ills Seen as Linked', *Washington Post*, 5 October 2007. Arlo Wagner, 'Prince William Sees Exodus of Hispanics', *Washington Times*, 13 March 2005 (reprinted with jubilation on various Minuteman websites).

<sup>49</sup> Nurith Aizenman, 'In Northern Virginia, a Latino Community Unravels', *Washington Post*, 27 March 2008.

<sup>50</sup> Julia Preston, 'Immigration Cools as Campaign Issue', *NY Times*, 25 October 2008.



both candidates vied to denounce the vandals on Wall Street, but then voted meekly for the catastrophic class politics of the Paulson plan which (as even Jeffrey Sachs acknowledges) has ensured 'a massive transfer of taxpayer wealth to the management and owners of well-connected financial institutions.'<sup>2</sup> Polls at the beginning of October showed an overwhelming majority of Americans were fiercely opposed to Congress's unprecedented abdication of power to friends of Wall Street, and an improbable coalition of conservative rural Republicans and progressive urban Democrats (including many members of the Black Caucus) made a brief attempt to build a legislative barricade across Pennsylvania Avenue. They received no encouragement from either campaign.

Indeed, the second town-hall-format presidential debate in Nashville, a few days after the passage of the bailout, was remarkable for its evasion of the audience's anguished questions about unemployment and home foreclosures.<sup>3</sup> Neither candidate was ready to pick up a pike and lead the *sans-culottes*; instead, both clung doggedly to their old talking points as if the sky had not fallen. The exchange magnified differences in policy that rarely transcended the ordinary range of debate between the centre-right and centre-left, while both camps scrupulously avoided the nuclear red buttons marked 'mortgage moratorium', 'immigration', 'nationalization', 'NAFTA', and so on. Few presidential campaigns in American history have fled so completely from engagement with their actual moment.

Bush's profound unpopularity, of course, required the senator from Arizona to act like a quantum particle, occupying several ideological spaces simultaneously. Although he claimed Teddy Roosevelt, the Progressive imperialist, as his hero, McCain veered unpredictably between ecumenical centrism and snake-wrestling fundamentalism, with meek forays into economic populism that were quickly followed by sermons on the priority of tax breaks for the rich people, like himself, who don't know how many cars they own. His rants about the suffering of plumbers and small-business people were belied by his own dependence upon the largesse of Lower Manhattan, with Merrill Lynch CEO John Thain as the biggest 'bundler' of his corporate campaign contributions. Plus McCain

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<sup>2</sup> Jeffrey Sachs, 'The Tarp is a fiscal straitjacket', *Financial Times*, 28 January 2009.

<sup>3</sup> The presidential debates can be viewed at [www.youdecide2008.com](http://www.youdecide2008.com).

had too many opponents—in addition to Obama and Bush, he was also running against himself (as in the case of immigration policy). In the end, the bomber of Hanoi had nothing left to spend but prison stories, racist innuendo and the spectre of Bill Ayers.

Obama, in contrast, was untroubled by zealotry in his grassroots and thus could rely upon hypnotic platitudes and steadiness of character rather than desperate impersonations and publicity stunts. The specification of ideas and policies was not a common practice in a campaign that was principally geared to the production of charisma, with a storyline that seldom strayed very far from the feel-good slogans that have characterized most Democratic campaigns in recent years. Despite his resumé, Obama had no plan for tackling urban poverty; although pro-worker he made only weak promises to the unions, and was deliberately vague on trade, urban policy, housing, education, and the one million prisoners of the War on Drugs.

Hillary Clinton's 'turn to the working class' in the Pennsylvania primary (actually, a more subtle essay than McCain's in racial text-messaging) threw Obama's campaign seriously off track for a month or two, but he regained course with only a modest tacking of his sails to the enormity of the crisis. Like Roosevelt in 1932, Obama used eloquence and compassion, along with thick frostings of Founding Fathers and We Are One, to forge an emotional bond with stricken blue-collar voters, while offering few new ideas or concrete plans.

In this respect, however, he was sticking close to the larger team plan. Matt Bai, a *New York Times* reporter who has chronicled the role of dot.com millionaires, liberal foundations and bloggers in reshaping the party's image, argues that Democratic leaders like Harry Reid and Nancy Pelosi have deliberately fostered 'vapid slogans' in order to present a smaller target to the Right. 'By the fall of 2005', Bai writes,

Bush's approval ratings had slipped below 40 per cent, so party leaders decided it was better to let the Republicans collapse of their own weight than to offer an actual agenda and risk the possibility that some voters might not like it . . . 'Tell us what you want to hear', the party seemed to say, 'and we'll be sure to put it in our pamphlet'.<sup>33</sup>

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<sup>33</sup> Bai, *The Argument*, p. 177.



Obama's agenda, however, became less opaque in June 2008 when he chagrined labour supporters by appointing Jason Furman, the director of the Brookings-affiliated Hamilton Project, as the head of his economic policy unit.<sup>54</sup> The Project, founded by ex-Treasury secretary Robert Rubin in 2006, has been part of the institutional network that elaborates the legacy of the Clinton Administration: in this case as a megaphone for centrist economic policies that meld fiscal conservatism and financial deregulation with smarter public investment. Furman's appointment was followed by the arrival in the inner circle of Rubin's successor in the Clinton Treasury, Lawrence Summers, a devotee of Milton Friedman ('any honest Democrat will admit that we are now all Friedmanites'), who with Rubin, Alan Greenspan and Phil Gramm had dismantled the last New Deal firewall, the Glass-Steagall Act, between traditional banks and derivative Ponzi schemes. By making the Hamilton Project his economic shadow cabinet, and later elevating the radioactive Summers to the directorship of the National Economic Council, Obama restored to power the *auteurs* of the catastrophe, and willingly entangled himself in the seedy history of 'Rubinomics' and the notorious back door between the Clinton White House and big investment banks and money funds.<sup>55</sup>

### *The counterfactual election*

It would be difficult, then, to characterize the 2008 campaign as an epochal ideological confrontation, except in the limited sense that

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<sup>54</sup> Journalist David Leonhardt spent a year interviewing Obama and his original economic advisors from the University of Chicago, trying to decipher their economic philosophy. He was struck by the modesty of their approach to economic inequality and fiscal reform as contrasted to their bold proposals about rationalizing healthcare, rebuilding infrastructure and carrying out a transition to renewable energy. 'As ambitious as Obama's proposals might be, they would still leave the gap between the rich and everyone else far wider than it was 15 or 30 years ago. It just wouldn't be quite as wide as it is now'. See 'A Free-Market Loving, Big-Spending, Fiscally Conservative, Wealth Redistributionist', *NYT Magazine*, 24 August 2008.

<sup>55</sup> Even the *New York Times* editorialized on the dangers inherent in Obama's reliance upon investment bankers for economic wisdom: 'Another question clouding the labour agenda is whether Mr Obama will give equal weight to worker concerns—from reforming health care to raising the minimum wage—while the financial crisis is still playing out. Most members of his economic team are veterans of the Clinton Administration who tilt toward Wall Street. In the Clinton era, financial issues routinely trumped labour concerns. If Mr Obama's campaign promises are to be kept, that mindset cannot prevail again.' *NYT*, 29 December 2008.

both candidates—McCain sometimes more pointedly than Obama—repudiated the horrors of the Bush White House and advocated a return to Arthur Schlesinger's 'vital centre'. It therefore falls short of a key Burnham criterion for a 'critical election':

In the campaign or campaigns which follow this breakthrough, the insurgents' political style is exceptionally ideological by American standards; this in turn produces a sense of grave threat among defenders of the established order who in turn develop opposing ideological positions.<sup>56</sup>

The new Administration, in fact, seems determined at all cost to prevent such an ideological polarization by bringing on board as many temperate defenders of the 'established order' as possible. With economic crisis-management firmly in the hands of Citigroup and Goldman Sachs alumni, foreign policy delegated to the sub-presidency of Hillary Clinton and her spouse, and the 'surge' doctrine of Gates and Petraeus preserved in the Pentagon, Obama has built a dream team that delights *The Economist* and *Foreign Affairs* to the same degree that it disconcerts *The Nation*. As in the Clinton era, labour and environment have been seated at a second table, with important but secondary posts that lack leverage over the Administration's line of march.<sup>57</sup>

Certainly the new President and his congressional majority are committed to humane relief policies that distinguish Democratic centrism from the Spencian barbarism of Southern Republicans, but by itself this is hardly a cause for celebrating a new age. Whether or not his heart belongs to the left as many admirers believe, Obama's appointments affirm stunning continuity with the Clinton era as well as bipartisan 'realism' in foreign affairs. Few political observers anticipated that a mandate for 'change' would immediately lead to a comprehensive merger of the Clinton and Obama camps, with the personnel of the former consistently

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<sup>56</sup> Walter Dean Burnham, *The Current Crisis in American Politics*, New York 1982, p. 101.

<sup>57</sup> Hilda Solis, Obama's new Labour Secretary, is already compared to her great predecessor in Roosevelt's cabinet, Frances Perkins. But Perkins has been endowed in most liberal hagiographies with powers she did not possess. If at critical moments in the class war of the 1930s, she was a superb advocate for unions inside the administration, her ordinary vocation was as pacifier: charged with keeping labour insurgents in line behind FDR's slow-moving and piecemeal reforms. Robert Reich's frustrated experiences as Clinton's Labour Secretary are cautionary in the same respects.

awarded seniority.<sup>58</sup> It smacks of a pre-convention deal that gave Obama an uncontested nomination in exchange for a huge sharing out of power to the Clintons and their friends.<sup>59</sup>

This triumph of veteran centrism in the face of a bottomless crisis of unimaginable complexity attests to the failure of the Democratic Party's progressive constituencies, especially the divided US labour movement, to exercise an influence commensurate with their immense financial and rank-and-file contributions to the party's victory. (The *New York Times* estimated that labour spent \$450 million backing Democrats and mobilized 250,000 volunteers.<sup>60</sup>) Labour would have had more sway over the shape of the final campaign—especially Obama's response to the mortgage meltdown and the bank and auto industry bailouts—if it had been able to broker its vote better or control the balance of power in a contested convention. Neither scenario, in my opinion, would have been implausible if broad union support had sustained the initially impressive momentum of John Edwards's unusual campaign.

However one now feels about Edwards's character (as exposed in yet another bedroom scandal uncovered by right-wing bloggers), he was the only major primary candidate to meet Burnham's critical-realignment standard of an insurgent with an ideologically distinctive platform—in his case, angry economic populism. The former senator from North Carolina (the son of a Piedmont millworker turned into millionaire lawyer) staked out a programmatic space that had been vacant since Jesse Jackson's mobilization in the 1980s: the priority of economic justice for poor people and workers.<sup>61</sup> Discarding the banal

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<sup>58</sup> Obama has also left the light on in the White House for wayward neo-conservatives. No modern Democratic candidate has had so many admirers on the right, to name just a few: columnist David Brooks, Senator Chuck Hagel, former UN ambassador Ken Adelman, and William F. Buckley's son Christopher.

<sup>59</sup> Clinton had a legitimate basis for making a fight. If the results in Florida and Michigan (disqualified by the Democratic National Committee for violating its scheduling rules) are counted, she won the popular primary vote by more than 100,000.

<sup>60</sup> Steven Greenhouse, 'After Push for Obama, Unions Seek New Rules', *NYT*, 9 November 2008.

<sup>61</sup> I apologize to supporters of Dennis Kucinich and Ralph Nader, but the congressman from Cleveland had no chance of winning a major primary and Nader, however admirable, has never been an effective populist. Only the Edwards campaign, in my opinion, had the potential of forcing Clinton and Obama programmatically to the left.

euphemisms of his 2004 vice-presidential campaign, he spoke directly of exploitation and the urgency of unionization, proposed a new war on poverty, denounced 'Benedict Arnold CEOs' who exported jobs, and, in debate with Obama and Clinton in Iowa, argued that it was a 'complete fantasy' to believe that a progressive agenda could be advanced by negotiation with Republicans and corporate lobbies. Only an 'epic fight' could ensure healthcare reform and living wages. (Obama's response was typical eloquent evasion: 'We don't need more heat. We need more light.')

<sup>62</sup>

In the event, Edwards won full-hearted support only from the progressive shards of the old CIO (mineworkers and steelworkers), the carpenters, and some independent-minded state councils of the service employees and the hotel workers. His campaign was doomed by the refusal of the two union confederations (the AFL-CIO and Change to Win) and their largest constituent internationals to endorse what otherwise was the most chemically pure pro-labour candidacy in a generation. The big unions instead fought each other (and sometimes their memberships) in a chaotic scramble to place a last-minute bet on the candidate they believed would be the sure winner. In some states, the rank and file defied their leadership to vote for Hillary (culinary workers in Nevada), and in others, for Barack (public-sector workers in California).

By the time of the convention in Denver, veteran columnist Harold Meyerson was warning Democratic progressives: 'What's disturbing is how poorly America's unions performed in the Democratic primaries and how divided they are as they go into the fall.'

<sup>63</sup> Although union volunteers ultimately did epic work defeating McCain, especially in states like Indiana and Wisconsin, the labour movement, which is engaged in a truly life-and-death struggle in the private sector, lost its best chance to impose healthcare, labour law and trade reforms as the central planks of a White House recovery plan.

### *The Silicon Presidency and its limits*

At the end of the day, the Crisis itself, not the Election, did the ideological heavy lifting, sending elite opinion back in panic to the protective

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<sup>62</sup> Quoted in Ronald Brownstein, 'Style & Substance Among The Dems' Big Three', *NationalJournal.com*, 2 January 2008.

<sup>63</sup> Harold Meyerson, 'For Labour, Armageddon', *Dissent*, Fall 2008, p. 40.

apron of Old Mother Keynes. (Not perhaps the real Keynes who wrestled with the paradoxes of liquidity traps and perverse market signals, but the Keynes who supposedly smiles whenever governments print money to save banks.) Ironically none of the currently prominent Keynesians or post-Keynesians, such as Paul Krugman, Joseph Stiglitz or James Galbraith, have passed the qualifying exam for the new administration. In contrast to FDR's One Hundred Days, when the President's closest advisors included such trenchant critics of corporate power and managerial prerogative as Guy Rexford Tugwell, Gardiner Means and Adolf Berle, Obama's economic-policy brains trust shares a defining conceit of the Hoover Administration: the architects of the crisis (Andrew Mellon then; Timothy Geithner and Larry Summers now) consider themselves its most competent doctors.<sup>64</sup>

But if the central bankers and financial morticians are still ceded reign over the ruins of Wall Street, Obama has allied with technology icons to lay the cornerstones of an economic renaissance based on massive public investment in 'Green Infrastructure'. So far this is the flagship idea of the new Administration, the one that owes least to Clinton precedents and most closely resonates with the idealism of the campaign's volunteers and the expectations of supporters in the big tech centres. The near constant presence of Google CEO Eric Schmidt at Obama's side (and inside his transition team) has been a carefully chosen symbol of the knot that has been tied between Silicon Valley and the presidency. The dowry included the overwhelming majority of presidential campaign contributions from executives and employees of Cisco, Apple, Oracle, Hewlett-Packard, Yahoo and Ebay.

But the promise of Green Keynesianism may turn out differently than imagined by radical economists and environmental activists. A fundamental power-shift seems to be taking place in the business infrastructure of Washington, with 'New Economy' corporations rapidly gaining clout through Obama and the Democrats while Old Economy leviathans like General Motors grapple with destitution and welfare, and energy giants temporarily hide in caves. The unprecedented unity of tech firms behind Obama both helped to define and was defined by his

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<sup>64</sup> Consideration of Obama's foreign policy lies beyond the scope of this essay, although his appointments clearly signal continuity.

campaign. Through his victory, they have acquired the credit balance to ensure that any green infrastructure will also be good industrial policy for their dynamic but ageing and cash-short corporations.

There is an obvious historical analogy. Just as General Electric's Gerard Swope (the Steve Jobs of his day) and a bloc of advanced, capital-intensive corporations, supported by investment banks, enthusiastically partnered with Roosevelt to create the ill-fated National Recovery Administration (NRA) in 1933, so too have Schmidt and his wired peers, together with the ever-more-powerful congressional delegation from California, become the principal stakeholders in Obama's promise to launch an Apollo programme for renewable energy and new technology.<sup>65</sup>

We should note that this realignment of politics by economics fits awkwardly within the Keys–Burnham paradigm, which asserts the primacy of public opinion and the durability of voter blocs. A 'silicon presidency', on the other hand, is perfectly accommodated by Thomas Ferguson's 'investment' theory of political change which privileges political economy and class struggle *within* capital as modes of explanation. Analysing New Deal case-studies in his 1995 book, Ferguson—an intellectually supercharged descendant of Charles Beard—concluded that business elites, not voters, usually determine both the nature and course of electoral realignments.<sup>66</sup>

The fundamental market for political parties usually is not voters. As a number of recent analysts have documented, most of these possess desperately limited resources and—especially in the United States—obscure information and interest in politics. The real market for political parties is defined by major investors, who generally have good and clear reasons for investing to control the state . . . During realignments . . . basic changes take place in the core investment blocs which constitute parties. More specifically, realignments occur when cumulative long-run changes in industrial structures (commonly interacting with a variety of short-run factors, notably steep economic downturns) polarize the business community,

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<sup>65</sup> For a fascinating reflection on New Deal-era economic theory, including a possible synthesis of the ideas of Keynes, Hansen, Means and Schumpeter, see Theodore Rosenof, *Economics in the Long Run*, Chapel Hill, NC 1997.

<sup>66</sup> Charles Beard's *An Economic Interpretation of the Constitution* (1913), which argued that the Founding Fathers' politics were approximately the sum of their material interests, is still worth a visit, even if modern political and economic historians tar him as a vulgarian economic determinist.

thus bringing together a new and powerful bloc of investors with durable interests. As this process begins, party competition heats up and at least some differences between parties emerge more clearly.<sup>67</sup>

But what has suddenly mobilized the self-identified New Economy as an 'investor bloc' in Ferguson's sense? And why Obama?

One answer is straightforwardly cultural: Obama 'gets' and likes tech and entrepreneurs. As Joshua Green pointed out in the *Atlantic*, the young candidate exemplifies the legendary outsider who reinvents American politics in his own garage and then launches a history-changing IPO with the help of visionary venture capitalists. In addition, Obama—unlike Hillary Clinton, who seemed more at ease in Hollywood—came to the mountain (or rather, Mountain View) and listened. He discovered a volcano on the verge of eruption. No sector of the corporate workforce, bosses as well as employees, has probably been more outraged by the endless carnage in Iraq, the wanton incendiarism of Rove's culture wars, the attacks on immigrants, and the Republicans' contempt for evolutionary and earth sciences.<sup>68</sup>

But there were obviously deeper, more selfish priorities. Even before the crash, revered seers like Andy Grove (ex-CEO of Intel) were expressing fear about declining investment and innovation in the technology heartlands. As *Business Week* later summarized in a special report: 'Federal funding of advanced computer science and electrical engineering research has dropped off sharply since the late 1990s, as has the number of Americans pursuing computer science degrees. And large

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<sup>67</sup> Thomas Ferguson, *Golden Rule: The Investment Theory of Party Competition and the Logic of Money-Driven Political Systems*, Chicago 1995, pp. 22–3. Ferguson, of course, acknowledges that voters also become more active: 'only if the electorate's degree of effective organization significantly increases, however, does it receive more than crumbs.'

<sup>68</sup> The Republican share of Silicon Valley's presidential contributions dropped from 43 per cent in 2000 to barely 4 per cent in 2006, simultaneously as the Democrats endorsed an 'Innovation Agenda' supporting R&D tax credits, a doubling of funding for the National Science Foundation, and so on. See the August 2006 beltwayblogroll at nationaljournal.com; and Jim Puzzanghera, 'Pelosi likely to speak up for tech industry', *LA Times*, 13 November 2006. The earlier history of the Democratic courtship of Silicon Valley is chronicled by Sara Miles in *How to Hack a Party Line*, New York 2001.

technology companies are putting less emphasis on basic research in favour of development work with quicker payoffs'.<sup>69</sup>

Pessimists worry that the Valley is locked into the first stages of the Detroit product-cycle syndrome: the heroic age of Henry Ford followed by tailfins and corporate sclerosis. (Thus Web 2.0 has been criticized as mere product development rather than technological innovation.) The Obama Presidency, from this perspective, can ride to the rescue with Kennedy-scale commitments to basic science as well as stable subsidies to markets like renewable energy, smart utilities and universal broadband that are otherwise whipsawed by volatile energy prices or abdicated by corporations.<sup>70</sup>

The New Economy, like the Old, also recognizes that survival in the current economic hurricane depends upon presence at court: in the short term at least, Obama and the Democratic leadership will have extraordinary influence over the selection of winners and losers. The contrasting fates of Lehman Brothers and AIG (one left to bleed to death, the other given a government IV) sent tremors down the spine of every CEO and large shareholder in the United States. Even more than in Ferguson's case-study of the 1930s, the future of every corporation or sector depends upon wise investments to 'control the state'; which is why K Street, the Wall Street of lobbyists formerly owned by the Republican Party, has turned so blue in the last year. But of all the new Democratic investors, only the tech industries, with their captive universities and vast internet fandoms, still retain enough public legitimacy (domestic and international) and internal self-confidence hypothetically to act as a constructive hegemonic bloc rather than as a mob of desperate lobbyists.

But, then again, the tech industries may simply be swallowed up, with everyone else, in the *Götterdämmerung* of Wall Street, while Larry Summers and Ben Bernanke fight on in the bunkers until the last taxpayer's bullet is spent. (The euphoric national unity of Roosevelt and Swope's NRA, it should be recalled, quickly dissolved into strikes, tear

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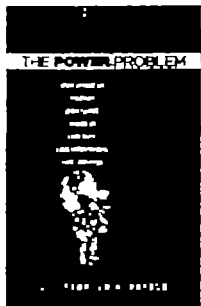
<sup>69</sup> Steve Hamm, 'Whatever Happened to Silicon Valley Innovation?', *Business Week*, 31 December 2008

<sup>70</sup> The major exception to declining federal support for innovation, of course, has been the war on terrorism's huge investments in surveillance and advanced war-fighting technologies—a sector that Obama is unlikely to neglect.



gas and bayonets.) Obama's nearly trillion-dollar stimulus package provides urgently needed relief as well as a modest down payment on the green infrastructure, but few economists seem to believe that it can actually stop the domestic downturn, much less generate enough 'leakage' through imports to stimulate Asia and Europe. The American financial system, in recent years the generator of 40 per cent of corporate profits, is dead—a colossal corpse hidden from full public view by the screen debates of the fall presidential campaigns. The market-oriented centrists and reformed deregulators whom Obama has restored or maintained in power have about as much chance of bringing the banks back to life as his generals do of winning the war against the Pashtun in Afghanistan. And no contemporary Walter Rathenau or Guy Rexford Tugwell has yet emerged with a scheme for rebuilding the wreckage into some plausible form of state capitalism.

Meanwhile, the financial press warns that trillions will ultimately be required to make a 'bad bank' or bank nationalization work. But if Obama's domestic spending fails to produce significant collateral benefits for America's trading partners, they may think twice about buying Washington's debt or decide to impose some conditionalities of their own. (Beware the dogma that the Chinese are slaves of their trade surplus and undervalued currency and have no alternative but to subsidize the US Treasury.) At Davos, Putin and Wen reminded the new President that he is no longer the master of his own house in the same way that Roosevelt or Reagan were. The dollar threatens to become the dog collar on the new New Deal. In any event, the bubble world of American consumerism, as it existed at the start of Obama's formal candidacy in 2007, will never be restored, and protracted stagnation, not timely tech-led recovery, seems the most realistic scenario for the era that may someday bear his name.



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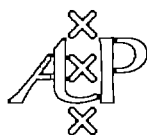
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DYLAN RILEY

## FREEDOM'S TRIUMPH?

### *The Defeat of Democracy in Luciano Canfora*

THE STUDY OF democracy is usually left to political scientists, sociologists or contemporary historians, for whom its antique origins form little more than a picturesque backdrop to the story of its twentieth-century triumph. In their accounts, its heartlands tend to be North Atlantic: the United States, Britain and France. As for the term itself, 'democracy' is standardly defined as a set of electoral procedures and representative institutions, legitimating political rule. Within this field there is room for a variety of views: the liberal wing of orthodoxy pines for greater voter participation, while the hard-headed right rejoices at apathy; but both consider a regular electoral cycle to be a minimum condition. There is also a common historical narrative: from modest, property-owning beginnings, democracy was successfully extended to incorporate first working men, then women. Twinned with 'freedom', it defeated fascism in Europe and, after 1945, confronted its enemy, totalitarianism, in the Communist East. From the mid-1970s a third wave of democratization washed away the dictatorships of Europe's southern fringe—Greece, Spain, Portugal—before sweeping most of the world after 1989.

Luciano Canfora's *Democracy in Europe: A History of an Ideology* breaks with this tradition in nearly every respect—conceptual, geographic, historical.<sup>1</sup> Canfora himself is not a political scientist but a classical philologist, trained at the Scuola Normale Superiore in Pisa in the 1960s; a fiercely independent intellectual, originally of the PCI, and more recently of the PdCI, one of the small groups to emerge from its collapse, for which he ran as candidate in the European parliamentary elections in 1999. In a prolific oeuvre, his writings include studies of Demosthenes

and Thucydides, a foundational analysis of the narrative principles of classical historiography, a striking biography of Julius Caesar, and three books on Togliatti, of whom he remains a great admirer, not to speak of many reflections on contemporary politics. Notable among his skills has been historical and textual detective work, yielding a set of remarkable demonstrations—among them, that Giovanni Gentile was, contrary to official legend, killed on orders of the PCI leadership in 1944; that the celebrated papyrus attributed to the geographer Artemidoros of Ephesus (second to first centuries BC) is almost certainly a forgery, probably by a nineteenth-century Greek adventurer; that a letter sent in 1928—supposedly by Ruggiero Grieco, a member of the PCI leadership in exile—to Gramsci, awaiting his trial in prison, was a provocation of the fascist police. Far from separating classical rigour from political commitment, he has directly theorized their connexion. His most recent work, *Filologia e libertà*, is devoted to the argument that, historically, a passion for precise textual truth has always required a rejection of canonized authority, and an independence of mind that freedom of thought alone can assure.

*Democracy in Europe* combines these backgrounds in an intriguing and highly original work. Conceptually, Canfora flatly rejects the standard view of democracy as a set of institutions and electoral procedures. Endorsing Norberto Bobbio's view that 'the essence of democracy is egalitarianism', he argues—anathema to the mainstream perspective—that it 'may reassert itself within the most diverse political-constitutional forms'.<sup>2</sup> Following Aristotle, Canfora proceeds to define democracy as 'the ascendancy of the *demos*', that is, the rule of the poorer, non-property-owning classes.<sup>3</sup> On this basis he proposes a historical narrative of democracy's fortunes in Europe radically at odds with conventional accounts. In place of a progressive widening and deepening, Canfora sees only brief moments of localized and immediately embattled democratic breakthrough, among them the early 1790s in France, the decade following 1917 in Germany and Russia—a high-water mark—and the late 1940s in France and Italy. For the most part, though, Canfora's story is of the failure of democracy, in his sense, and of how ruling elites have managed the egalitarian threat of broadening

<sup>1</sup> Luciano Canfora, *Democracy in Europe: A History of an Ideology*, Oxford 2006. Henceforth, DE.

<sup>2</sup> DE, pp. 228, 250.

<sup>3</sup> DE, p. 250.

suffrage to ensure their own freedom of action. The post-1950 period is represented as a grim political landscape, featuring the erosion of democratic-egalitarian aspirations in both eastern and western Europe, and the final triumph of what Canfora calls the 'mixed system'—'a little democracy and a great deal of oligarchy', combining 'the electoral *principle*' with the reality of bourgeois class ascendancy—as the formula for contemporary political rule.<sup>4</sup>

Geographically, too, Canfora reverses the standard argument. The people's democratic republics of central and eastern Europe are given serious critical consideration as 'experiments in democracy'.<sup>5</sup> Indeed, the western welfare-state system is seen as a pale imitation of the eastern model, and the collapse of the Soviet bloc as coterminous with the defeat of political egalitarianism. The United States is mentioned only for its role in stabilizing property systems on the European continent. Instead it is France that emerges as the political nation *par excellence*: birthplace of the idea of genuinely universal suffrage, and proving ground for the methods by which it would be neutered from 1850 on. French political history occupies the lion's share of Canfora's book.<sup>6</sup>

### *Zeus's all-seeing eye*

*Democracy in Europe* is therefore a frontal attack on intellectual orthodoxy as well as continental self-esteem. Unsurprisingly, it has provoked strong reactions. The book was originally commissioned as part of a multi-national 'Making of Europe' series under the direction of the French historian, Jacques Le Goff, alongside Peter Burke's *European Renaissance*, Jack Goody's *European Family*, Charles Tilly's *European Revolutions* and a string of other illustrious titles, all of which were to be produced across five languages by top-flight European publishers: Blackwell in Britain, Seuil in France, Crítica in Spain, Laterza in Italy and Beck in Germany. The editors at Beck, however, flatly refused to publish Canfora's contribution, apparently on the basis of a scandalized reader's report by the historian Hans-Ulrich Wehler, epitome of right-thinking, who declared it 'nothing more than a Communist pamphlet, superseding in dogmatic

<sup>4</sup> DE, p. 216.

<sup>5</sup> DE, p. 188.

<sup>6</sup> The absence of the United States may also be a consequence of the European focus of the series.

stupidity even the products of the DDR'—an absurdity, given the book's unremittingly heterodox approach.<sup>7</sup>

Rather than a substantial engagement with his argument, however, Canfora's German critics contented themselves with a series of misleading cavils designed to impugn the Italian's intellectual integrity by tarring him with Stalinism. The most concrete charge is that *Democracy in Europe* provides an orthodox Soviet interpretation of the Molotov–Ribbentrop Pact. But as Canfora convincingly demonstrates in his pamphlet, *L'occhio di Zeus*, replying to critics, this is based on a wilful misreading. In fact, after analysing the Pact in the context of France and England's refusal to join a tripartite alliance with the USSR against Hitler, Canfora goes on to link it to the nationalist involution of the Soviet experiment and discusses at some length the 'trauma' that it caused. It may be that his comparison of the Hitler–Stalin agreement to Roosevelt's recognition of Vichy France, and to the cynical East–West partitioning of Europe agreed at Yalta, also served to irritate his German critics. But what is most striking about the latter's overheated reaction is their complete failure to interrogate the work's conception of democracy, its comparative architecture or its overall structural coherence. *Democracy in Europe* has thus had a peculiarly unbalanced reception: though generating a mass of commentary, its central theses remain virtually unanalysed. This is unfortunate, for Canfora's historically well-grounded interpretation of democracy is a useful corrective to the standard view. The problems with his argument, meanwhile, touch on issues of central intellectual and political importance, not least for the left.

Admittedly, one obstacle to a full understanding of Canfora's book is the organization of the text itself. *Democracy in Europe* pans from fifth-century Athens to Berlusconi's Italy over some 250 dense, lively and polemical pages, combining historical account with interpretation, in a way that defies conventional comparative schemes. Some places and periods are treated in minute detail, others barely touched upon. After a fascinating philological analysis of the meaning of democracy in ancient Greece, the account moves to France, charting the course of universal suffrage from 1789 to the second Napoleon. Backtracking to 1815, Canfora next discusses the emergence of liberalism across Europe as a whole. He then returns to France, to follow the political developments of

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<sup>7</sup> Quoted in Canfora, *L'occhio di Zeus: Disavventure della 'Democrazia'*, Bari 2006, p. 15.

the Third Republic from the Commune to 1914, and the consolidation of liberal parliamentary regimes across Europe prior to World War One.

The period of 1914–45 is treated as a unitary whole—a thirty-year convulsion of the continent—within which Canfora analyses the crises of Belle Epoque parliamentarianism, the socialist and fascist responses to it, the Great War and the advent of the Soviet Union. After reconstructing the installation of the fascist regimes in Italy and Germany, Canfora addresses the ‘progressive’ and ‘people’s’ democracies—Italy and Czechoslovakia, pre-1948, as comparative cases—which, he argues, arose from a strategy of ‘antifascism’ in both parts of Europe. The historic defeat of this post-fascist ‘antifascism’ is signalled by De Gaulle’s declaration of the Fifth Republic, type case of the ‘mixed constitution’, in which ‘the “people” express their views but those who matter are the property-owning classes’.<sup>8</sup> In Canfora’s view, contemporary European governments are essentially oligarchic regimes decked out with electoral machinery, designed to legitimate elite rule while disqualifying anti-systemic minorities through executive privilege, majoritarian mechanisms—first-past-the-post systems, single-member constituencies, et cetera—control of the mass media and outright coercion. By the end of this vigorous, stimulating text, many readers may be suffering a sense of literary-historical whiplash.

### *People’s rule*

An initial assessment must begin with the key term of Canfora’s analysis: democracy. What does he mean by it? Disconcertingly, his Prologue opens with a rousing evocation of the popular-dictatorial role of Garibaldi as revolutionary democrat, going on to note that, in the Greek political language of the Roman period, *demokratia* and its derivative, *demokrator*, could imply ‘rule over the people’. Thus, ‘Appian writes, of the conflict between Caesar and Pompey, that the two fought “vying for *demokratia*”’, while Sulla, Caesar’s predecessor as ruler of the Roman Republic, is described elsewhere as a *demokrator*—effectively, a dictator. The ‘uncomfortable closeness’ between the two terms, Canfora suggests, requires us to look beyond accepted doctrine and recall the elements of class that underlie political systems; *kratos*, he reminds us, denotes ‘the violent exercise of power’. In Athens, democracy was the term used by

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<sup>8</sup> DE, p. 227.



opponents of government by the *demos* 'precisely with the aim of highlighting its violent character' and the 'excessive power exercised by the non-property-owning classes when democracy reigns'.<sup>9</sup> In his first chapter, Canfora provides a striking reading of Pericles's famous praise for the Athenian system in the Funeral Oration. Far from the complacency with which this is usually misquoted—not least in the Preamble to the 2003 draft European Constitution—Canfora sees a subtle distancing act in Thucydides's account: Pericles explaining that, although the word 'democracy' was used to describe the administration of the city, as relating to the many, not the few, Athenian private life was, in fact, characterized by 'freedom'. 'We can reinterpret these words as much as we like', Canfora concludes, 'but the essential point is that Pericles is presenting "democracy" and "liberty" as antithetical.'<sup>10</sup>

The fullest explicit discussion of the term comes in the book's penultimate chapter, "Towards the "Mixed System"". Canfora writes:

Democracy . . . is indeed an unstable phenomenon: the temporary ascendancy of the poorer classes in the course of an endless struggle for equality—a concept which itself widens with time to include ever newer, and ever more strongly challenged, 'rights'.<sup>11</sup>

For the Italian philologist, then, democracy is not a constitutional or political system, but a—historically, short-lived—shift in the distribution of social power: a 'form of relations between classes' that is 'biased towards the "ascendancy of the demos"'.<sup>12</sup> Its basic aim is material equality. In a 2007 interview with the *Tageszeitung*, Canfora explained that his concept referred to the Aristotelian view: 'Democracy is the rule [*Herrschaft*] of the propertyless, oligarchy the rule of the rich'.<sup>13</sup> The history of democracy therefore involves the study not of constitutional or political systems, but of moments of popular ascendancy, quickly absorbed by anti-democratic forces.

Paradoxically, the origins of this seemingly radical usage lie in the harshest critiques of the political form. Canfora's account of democracy is

<sup>9</sup> Respectively, DE, pp. 5, 8, 22.

<sup>10</sup> DE, p. 8.

<sup>11</sup> DE, p. 228.

<sup>12</sup> DE, p. 250.

<sup>13</sup> Thus for Canfora democracy is a form of *rule*, or dominion, 'not a form of government [*Regierungsform*] or a type of constitution [*Verfassungstyp*]'. Interview with Ulrich Gutmair, *Tageszeitung*, 15 December 2007.

deeply indebted to anti-egalitarian and anti-democratic thinkers. This is obvious enough from his initial discussion of the origins of the term among anti-democratic upper classes in classical Greece. But it is also strongly influenced by a specifically Italian tradition of elitist political theory, and particularly the work of Gaetano Mosca, 'a great analyst of the forces at work in society'.<sup>14</sup> Like Mosca, Canfora sees contemporary democracy as largely a set of empty ideological claims. In his sense, liberal-capitalist societies are clearly anti-democratic because they are profoundly unequal, and their 'democracy' is essentially a political formula used to justify elite rule. I will argue that this definition of democracy as class equality, 'the temporary ascendancy of the poorer classes',<sup>15</sup> is based on a conflation of social and political power. But to see why, it is first necessary to look at the turning points of *Democracy in Europe's* narrative in greater detail.

### *1789 and after*

For Canfora, 'the 1789 Revolution was the matrix that shaped the entire subsequent history of Europe'; but its consequences were far from straightforward.<sup>16</sup> The use of elections and parliaments as mechanisms of government would soon be separated from the substance of democracy as equality, and European regimes would harness universal suffrage, the classic technique of democracy, to legitimate elite rule. The concept of universal suffrage was first embodied in Robespierre's Constitution of 1793, which did away with indirect voting and censitary conditions. (Canfora dismisses earlier English and American experiments with suffrage as limited by race or religion, in contrast to the abolition of slavery by the Jacobin Convention.) Thermidor immediately snuffed out this attempt. From then on, successive constitutions 'contained severe restrictions on the right to vote', until the Revolution of 1848.<sup>17</sup>

The democratic breakthrough of 1848 had paradoxical results, however. The French election in April of that year, the first by universal suffrage in Europe, produced a 'moderate' Assembly that would attack workers' living standards and drown their June uprising in blood. Louis Napoleon then swept to electoral victory in December 1848. Canfora provides an incisive definition of Bonapartism: 'demagogic, seductive, almost irresistible class inclusiveness directed at the less politicized masses, yet at

<sup>14</sup> DE, p. 228.

<sup>15</sup> DE, p. 228.

<sup>16</sup> DE, p. 20.

<sup>17</sup> DE, p. 67.

the same time firmly anchored in a relationship of mutual assistance with the property-owning classes'. He sees little difference between uncle and nephew: both are embodiments of reaction in 'modern, pseudo-revolutionary forms'.<sup>18</sup>

Louis Napoleon's victory became a model for the rest of Europe. 'The second emperor of the French', writes Canfora, 'taught bourgeois Europe not to fear universal suffrage but to tame it'.<sup>19</sup> To summarize: it was not the French Revolution that brought parliamentary rule to Europe, but the Revolution emasculated by Bonapartism. The key innovation of Louis Napoleon, according to Canfora, was to show how universal suffrage could be manipulated by boundary changes, majoritarian single-member constituencies, political pressure from prefects or governors, the help of the press and so forth, to ensure the election of local notables. Appropriately controlled, universal suffrage could become a useful support for propertied rule.

Canfora adduces a wide array of historical evidence to back this claim. First, where universal suffrage has existed, other mechanisms have always been in place to ensure that powerful working classes could not threaten the established order by changing political personnel through the ballot box. Coercion was one means: in France, the ruthless elimination of the Paris Commune. In pre-1914 Germany, militarist hegemony—the effects of the drill—and the restricted power of parliament made outright repression less necessary. In Italy or the United Kingdom, where relatively powerful parliaments co-existed with organized working-class movements, electoral corruption and restricted suffrage, or an undemocratic majoritarian system, lasted well into the twentieth century.

The establishment of electoral representation, then, far from indicating a shift of power towards the poorer classes, is perhaps the surest sign that such a shift has not occurred. This is underlined by a consideration of the rulers who granted suffrage: Bismarck in Germany, Giolitti in Italy—where the extension of the vote served to shore up a weak and isolated political class—and, though not discussed here, Disraeli in Britain. All these figures seem to fit the Bonapartist pattern of a 'strong leader' supported by electoral consensus. They granted universal suffrage for—in Canfora's sense—clearly undemocratic ends.

<sup>18</sup> DE, pp. 81–2.

<sup>19</sup> DE, p. 101.

The next stage of the analysis focuses on the 1914-45 period of the 'European Civil War', interpreted as a three-way struggle between socialism, fascism and a 'third element', liberal democracy. Canfora places responsibility for the outbreak of the First World War firmly on the latter: 'Since the governments that clashed in that memorable August were all parliamentary, it can be confidently asserted that the "third element" has the dubious but considerable distinction of having sparked off the hell of the twentieth century.'<sup>20</sup> The Great War would bring what Canfora terms the 'second failure of universal suffrage'; but its immediate aftermath saw Italy hold its first effective universal-suffrage elections in December 1918, while Germany elected a new constituent assembly in January 1919.

Rather than producing real democracy, however—bringing the property-less to power—universal suffrage in both cases ended in fascism: 'the classes that supported the parties in government' gradually 'lost faith in "parliamentary democracy", and chose fascism instead.'<sup>21</sup> This re-emergence of the Bonapartist formula, more murderous now than ever, had far-reaching consequences. Not only did it crush the movements for substantive democracy in Germany, Italy and Spain; Canfora argues that the pressures it brought on the Soviet Union—where constituent-assembly elections had been held in November 1917, and which had initially pioneered a form of multi-party soviet democracy—twisted that country's development as well, with the moral and material complicity of the remaining Western liberal democracies.

An important role in the eventual outcome of the 'European Civil War' is played by what Canfora calls 'antifascism'. He sees this as a political movement that sought to go beyond the old parliamentary regimes and to redress the failings of liberalism, which had 'given birth to fascism in the first place'.<sup>22</sup> Antifascism was therefore also a struggle for substantive democracy in Europe, which would produce both the welfare states and the people's democracies of the post-war period. Canfora argues that the Soviet example played an important part in this: the 'antifascist' constitutions of Italy (1948) and Germany (1949) are said to have incorporated elements from the 1936 Soviet constitution—formally a model juridical construct, however travestied by the purges and show trials coeval with it. Thus Article Three of the Italian Constitution instructs the

<sup>20</sup> DE, p. 157.

<sup>21</sup> DE, p. 158.

<sup>22</sup> DE, p. 174.

Republic to remove all 'economic and social obstacles that, limiting the actual liberty and equality of citizens, impede the full development of the human individual and the effective participation of all workers in the economic, political and social organization of the country.' In addition, antifascism's role in liberating the countries of central and eastern Europe ensured, Canfora argues, that their post-war governments had a degree of real mass support.

The moment of 'antifascist democracy' also proved short-lived; it would soon be beaten back by the consolidation of the 'mixed system'. The model for this form of rule was De Gaulle's Fifth Republic, whose important innovation was the reintroduction of a majoritarian system, designed to eliminate the PCF as a viable political alternative. By the end of the twentieth century, the mixed system had undermined progressive democracies across the continent. It strengthened the executive, undermined proportional representation and selected politicians according to criteria of wealth, to ensure the rule of oligarchies unaccountable to legislative control. Democracy in its European homelands has thus been reduced to the electoral legitimization of elites. As Canfora writes:

The postscript has been the victory—and it promises to be a lasting one—of what the Greeks called the 'mixed constitution', in which the 'people' express their views but those who matter are the property-owning classes. In more modern terms, it is the victory of a dynamic oligarchy that is centred on great wealth but capable of building consensus and securing legitimacy through elections, because it keeps the electoral mechanisms under its control.<sup>23</sup>

The result has been the defeat of democracy in the substantive sense by its antithesis, in Pericles's terms: freedom. Not freedom for all, of course, 'but for those who are "strongest" in competition, be they nations, regions or individuals'—for 'every obligation that favours the less "strong" is precisely a limitation on the freedom of others'.<sup>24</sup> In citing the Funeral Oration, the drafters of the European Constitution's Preamble had inadvertently uttered 'not a piece of edifying rhetoric but rather what *truly* needed to be said: that freedom has won—in the rich world—with all the terrible consequences this has, and will continue to have, for the rest'.<sup>25</sup> Postponed to some future era, democracy

<sup>23</sup> DE, p. 227.

<sup>24</sup> DE, p. 251.

<sup>25</sup> DE, pp. 251–2.

will be invented all over again—though perhaps not, Canfora adds, by Europeans.

### *Class and party*

Such is the main argument of *Democracy in Europe*. How should it be evaluated? One of the strengths of its perspective is the way that it can account for the ebbing of substantive democracy conjointly with the spread of electoral representation—a conundrum to which standard political-science studies have provided no definitive answer. Canfora's scathing description of the electoral oligarchy of the 'mixed system' is a bracing corrective to self-celebratory European accounts. His analysis of the post-war role of 'antifascism' is a useful reminder of the egalitarian aspirations at stake in the construction of the welfare state, and his discussion of the tortured history of universal suffrage, above all in France, is never less than compelling. Yet there are some important conceptual problems with his account. As I indicated above, Canfora's definition of democracy as the rule of the propertyless is based on a conflation of social and political power, and thus tends to de-emphasize the specificity of both. Aristotle, to whose authority Canfora often appeals, seems to have been much clearer about this. For Aristotle, democracy is a political regime in which the status of citizenship is shared across classes; it does not depend on the elimination of class differences, but rather on the construction of a political status that is independent of them.

Canfora's notion of democracy implicitly conceives of the *demos* as a monolithic body; hence a single leader—Garibaldi—can be the expression of its political will. Yet the propertyless, not excluding small property holders, come from numerous different sectoral, geographical, cultural and ethnic backgrounds and experiences, and have historically built a range of political parties to articulate their needs. Even the most benighted people's democratic republic recognized the need for a tame peasants' party, alongside the ruling Communists. Yet the role of parties is a notable absence in *Democracy in Europe*. Strangely, too, Canfora shows little interest in the novel forms thrown up by moments of proto-socialist democracy: the improvisations of the Paris Commune, where judges and police chiefs were directly elected and recallable; the multi-party soviets in the early days of Bolshevik power.

While Canfora's insistence on the many parallels in developments on both sides of the Iron Curtain may be salutary, there were important differences in the political experience of the two parts of the continent that are not given adequate recognition here. Taking Czechoslovakia and Italy as his paradigms, Canfora sees both imperial powers, Washington and Moscow, using a mix of material aid and the threat of force to establish friendly political regimes in their zones of influence, in the immediate post-war period. Here, he argues,

there was an implied principle that was a logical corollary of the division into spheres of influence. This ran as follows: elections will be held as soon as possible, to give representative governments to the countries involved; in any case, if the division into areas has any sense, the elections will be won by the parties that are sympathetic to the power with hegemony in that area.<sup>26</sup>

The processes by which Klement Gottwald in Czechoslovakia and Alcide De Gasperi in Italy came to power were fundamentally similar. Both won relatively free elections in 1946, Gottwald's KSC receiving a plurality of 38 per cent, while De Gasperi's Christian Democrats won 35 per cent (compared to a combined 39 per cent for the PCI and Socialists). Both won again in 1948, in contests that were far more compromised. In Czechoslovakia, Canfora singles out the food aid received from the Soviet Union (in competition with the Marshall Plan), which raised the prestige of the Communists after the political battles of February 1948 and resignation of the non-Communist parties, and the manipulated elections four months later, 'openly geared to produce a unanimous result'. Canfora considers that the Communists' victory was validated by their undoubted support among the working class, a real mass base if not a majority of the electorate; nevertheless, the decision by the KSC—and, initially, its allies—to 'force the electoral mechanism in such a way as to "preventively construct" an election victory' was not, at that point, 'something they were obliged to do'.<sup>27</sup> In Italy the Marshall Plan was, of course, used as a political tool to increase the prestige of the Christian Democrats. Recent documents have shown that the Americans were quite prepared to intervene in the event of a Communist victory at the polls in 1948: a CIA report detailed contingency plans in which Italy would be partitioned and a guerrilla war unleashed.

The similarities are suggestive. Both countries were under the influence of an imperial power, which presented itself as a liberator. Yet there

<sup>26</sup> DE, p. 187.

<sup>27</sup> DE, pp. 195–6.

are fundamental differences between the two that Canfora does not acknowledge openly enough. Unlike the opposition to Gottwald, the PCI maintained a massive organizational presence throughout the post-war period, however harried and vilified it was. No organized opposition on this scale was ever permitted in Czechoslovakia, or any other part of state-socialist Eastern Europe—one reason why de-Stalinization took shape not as political pluralism but as reform within existing Communist parties. The second point, obviously, is that the central and eastern European regimes lacked any electoral legitimation. In Italy, regular elections did occur, and Italians could at least express dissatisfaction with their rulers, even if the largest party, the PCI, was effectively banned from taking power. To acknowledge this fact is crucial for any understanding of the contrasting political outcomes in Europe's two Cold War wings. Canfora recognizes this point obliquely, writing that a 'long-term weakness' of the people's democracies was the conviction that popular endorsement, once achieved, 'was valid for *an indefinite period*, and that there was no need for the periodic checks and renewals of legitimacy so skilfully carried out in the West'—'it was believed that social programmes would consolidate regimes. This clearly did not happen'.<sup>28</sup> And again, in his analysis of Titoism and the break-up of Yugoslavia:

The bitter, almost suicidal nature of the clash was, among other things, one of the consequences of the vision that sustained the birth of 'people's democracies': that consensus is obtained once and for all, that the consensus that matters is that of the 'politically active mass'—and that, in any case, it is valid for an entire historical phase.<sup>29</sup>

He does not comment on the relative scarcity of nationalist mobilizations in Western Europe over the same period, those that did occur being largely confined to the Atlantic and Mediterranean fringe. Yet it is at least plausible to suggest that the transcendence of such conflicts was closely connected to the triumph of electoral democracy in that zone. Thus, while Canfora's comparison effectively evokes a certain kind of parallel between East and West, his conception of democracy as representing an egalitarian shift in the distribution of class power may prevent him from grasping the political specificity of each experience. The strength of the political orders of the advanced-capitalist West, and the peaceful character of their inter-state relations, is inextricably linked to the fact that, in contrast to the East, elections—however 'managed' or 'manipulated'—legitimated their political elites. No rethinking

<sup>28</sup> DE, p. 188.

<sup>29</sup> DE, p. 197.



of democracy, however radical and heterodox, should obscure this basic fact and the fateful consequences that flow from it.

### *Swindle laws*

What of Canfora's critique of electoral 'manipulation'—principally focused on majoritarian voting systems—and 'management', largely laid at the door of the mass media? The latter charge is familiar enough. Canfora argues that consolidated media ownership distorts the political field and helps to form a de-politicized and easily led electorate, not necessarily through explicit propaganda but through an omnipresent consumerism and the worship of wealth. The 'genius and irresistibility' of this new method of 'opinion forming', he writes, 'lie in the fact that it never manifests itself in a directly political way'.<sup>30</sup> One does not have to be familiar with television in Berlusconi's Italy to sympathize with this argument. Turning to electoral 'manipulation', *Democracy in Europe* mounts a sustained attack against the first-past-the-post system, to which Canfora ascribes the ascendancy of the Tories in England, the destruction of the Socialists under the Fascist regime in Italy, and the elimination of the Communists under De Gaulle. Majoritarian electoral rules, he argues, are inherently biased toward the parties of the establishment and easily subject to corruption; first-past-the-post systems have long been linked to powerful landed classes and restricted suffrage; proportional representation was a central demand of European Social Democracy, and right-wing forces abolished it where they could. This is particularly clear in the history of Canfora's country; many of Italy's stormiest political conflicts have pitted Right against Left over precisely this issue. One need only recall the importance of the 1924 Acerbo law for consolidating Mussolini's control, or De Gasperi's failed attempt to institute a majoritarian system through the *legge truffa*—'swindle law'—of the early 1950s. Although one could point to the occasional counter-example—the victory of the Left in Spain in 1936, for instance—there is no doubt that first-past-the-post regimes have historically favoured conservative forces.

For Canfora, majoritarianism not only produces skewed representation but introduces a further, political restriction of suffrage: instead of 'one man, one vote', it creates the categories of 'useful' versus 'wasted' votes,

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<sup>30</sup> DE, pp. 225–6.

consigning the latter to oblivion. Ultimately, this leads to the atrophy of political forces outside a central, two-party consensus. Canfora scathingly outlines the ways in which the French Communist Party has become 'an annex' of the Socialists under the Fifth Republic's two-round electoral system, condemning PCF voters to 'servant status'; they would soon choose 'either to vote *directly* for the party that would benefit from their votes anyway, or not to vote at all.'<sup>21</sup>

Yet there is a contradiction between Canfora's definition of democracy as the ascendancy of the *demos*, entailing a degree of egalitarian unity, and his argument for PR, which he defends on grounds of pluralism and the quality of political culture. Thus: 'the "fragmentation" of political groupings is not a disease: it is a natural process, and can be enriching.'<sup>22</sup> Canfora's attack on majoritarian mechanisms implies that political systems should represent, as closely as possible, the real structure of their underlying societies; in that sense, then, democracy would reflect inequalities, rather than—as his concept demands—necessarily transcending them. Indeed, Canfora's emphasis on electoral processes and the power of the media suggests a further problem at the heart of his critique, at least if we are to take egalitarianism seriously. For the argument that systemic electoral manipulation is the central political ill of advanced capitalist democracies leads to the obvious corollary that effective, undistorted universal suffrage with proportional representation would in itself have revolutionary implications. Indeed this seems to be Canfora's view when he writes, glossing Marx's analysis in *The Class Struggles in France*, of a vision of 'the intrinsically destructive effects of universal suffrage', which 'continually calls into question the state's "present" power and presents itself as the sole source of authority and power.'<sup>23</sup>

### *State forms*

The implication is clear. Universal suffrage, if only allowed effectively and freely to operate, would eliminate the state. *Pace* Althusser, in this respect at least, the very youthful Marx is a better guide than the middle-aged one. For Marx, with great prescience and precision, had already identified the central problem of parliamentary democracy in *On the Jewish Question* as the separation of '*bourgeois* and *citoyen*'—'the member

<sup>21</sup> DE, p. 216.

<sup>22</sup> DE, p. 219.

<sup>23</sup> DE, p. 92.

of civil society and his *political lion skin*: in other words, the structural separation of political life from social life in general.<sup>34</sup> Only from this perspective does it become clear that the act of voting itself, as an isolated individual expression of preference, far from 'questioning' state power, re-affirms the very separation between the political and economic spheres that is at its base. To recognize this leads beyond the question of electoral manipulation.

What explains Canfora's tendency to elide the difference between East and West, and the related limitation of his critique of Western parliamentary institutions? Two main reasons suggest themselves: one intellectual and cultural, and the other political. Canfora's conception of democracy as the ascendancy of the poorer classes is based on an elision of the difference between political and social power that is deeply rooted in Italian political culture. Indeed one might argue that a characteristic feature of the Italian tradition of social theory is its lack of a robust conception of social structure, or of political economy, as distinct from political rule. The historical reasons for this are obvious enough, since wealth and political power are probably more closely fused in Italy than in any other advanced capitalist society. In this context the problem of democracy appears inseparable from broader questions of inequality. But there are also more specifically political reasons for the shortcomings of Canfora's analysis. For *Democracy in Europe* exemplifies an impasse that the left has never been able adequately to overcome. The problem could be put like this. Any society beyond capitalism would have to build upon the historic achievement of parliamentary democracy in Western Europe, and yet would require a fundamental institutional break with pre-existing state forms that could not take an exclusively electoral form.

Canfora's approach obscures this painful dilemma in what would once have been called Eurocommunist fashion. For by defining the struggle for democracy as a struggle for social equality, he avoids directly confronting the question of their relationship. From this point of view, the main task of socialism is to fulfill and extend democracy: to create, in Togliatti's phrase, a 'progressive democracy'.<sup>35</sup> (Indeed Canfora has warm

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<sup>34</sup> Karl Marx, *Early Writings*, London 1974, p. 221.

<sup>35</sup> Togliatti never gave more than a vague definition of this concept. A typical formulation was the one offered in a 1944 speech in Rome: 'Progressive democracy is that which looks not toward the past but towards the future.' See the discussion of Aldo Agosti in Togliatti: *Un uomo di frontiera*, Rome 2003, pp. 287–9.

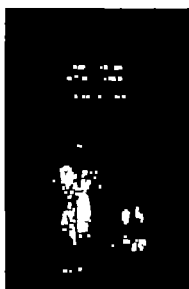
praise for Togliatti's restraining influence on the Italian Resistance, at the behest of the Allied coalition; analogously he blames MIR 'extremism' in Chile for Allende's overthrow.<sup>36</sup>) Of course, the creation of a new and better type of democracy in contemporary Italy, and the rest of the world, would be a laudable enterprise. But for this also to be an egalitarian system would require a new *state* form, not just a parliamentary regime pruned of corruption and provided with a fair electoral system. The struggle for basic legality is a necessary one, but it should not define the strategic horizon of political transformation. 'Democracy' itself is an empty signifier, and has progressive (or conservative) meaning only if linked to a coherent social and economic project. To define it solely in terms of the 'endless struggle for equality'<sup>37</sup> is to obscure its intrinsic political polyvalence. 'Democracy Now' is a slogan that should be treated with great caution.

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<sup>36</sup> DE, pp. 191, 165.

<sup>37</sup> DE, p. 228.

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GIOVANNI ARRIGHI

## THE WINDING PATHS OF CAPITAL

*Interview by David Harvey*

*Could you tell us about your family background and your education?*

I WAS BORN IN Milan in 1937. On my mother's side, my family background was bourgeois. My grandfather, the son of Swiss immigrants to Italy, had risen from the ranks of the labour aristocracy to establish his own factories in the early twentieth century, manufacturing textile machinery and later, heating and air-conditioning equipment. My father was the son of a railway worker, born in Tuscany. He came to Milan and got a job in my maternal grandfather's factory—in other words, he ended up marrying the boss's daughter. There were tensions, which eventually resulted in my father setting up his own business, in competition with his father-in-law. Both shared anti-fascist sentiments, however, and that greatly influenced my early childhood, dominated as it was by the war: the Nazi occupation of Northern Italy after Rome's surrender in 1943, the Resistance and the arrival of the Allied troops.

My father died suddenly in a car accident, when I was 18. I decided to keep his company going, against my grandfather's advice, and entered the Università Bocconi to study economics, hoping it would help me understand how to run the firm. The Economics Department was a neo-classical stronghold, untouched by Keynesianism of any kind, and no help at all with my father's business. I finally realized I would have to close it down. I then spent two years on the shop-floor of one of my

grandfather's firms, collecting data on the organization of the production process. The study convinced me that the elegant general-equilibrium models of neo-classical economics were irrelevant to an understanding of the production and distribution of incomes. This became the basis of my dissertation. Then I was appointed as *assistente volontario*, or unpaid teaching assistant to my professor—in those days, the first rung on the ladder in Italian universities. To earn my living I got a job with Unilever, as a trainee manager.

*How did it come about that you went to Africa in 1963, to work in the University College of Rhodesia and Nyasaland?*

Why I went there was pretty straightforward. I learnt that British universities were actually paying people to teach and do research—unlike the position in Italy, where you had to serve for four or five years as an *assistente volontario* before there was any hope of a paid job. In the early 1960s the British were setting up universities throughout their former colonial empire, as colleges of British ones. The UCRN was a college of the University of London. I had put in for two positions, one in Rhodesia and one in Singapore. They called me for an interview in London and, because the UCRN was interested, they offered me the job as Lecturer in Economics. So I went.

It was a true intellectual rebirth. The mathematically modelled neo-classical tradition I'd been trained in had nothing to say about the processes I was observing in Rhodesia, or the realities of African life. At UCRN I worked alongside social anthropologists, particularly Clyde Mitchell, who was already doing work on network analysis, and Jaap Van Velsen, who was introducing situational analysis, later reconceptualized as extended case-study analysis. I went to their seminars regularly and was greatly influenced by the two of them. Gradually, I abandoned abstract modelling for the concrete, empirically and historically grounded theory of social anthropology. I began my long march from neo-classical economics to comparative-historical sociology.

*This was the context for your 1966 essay, 'The Political Economy of Rhodesia', which analysed the forms of capitalist class development there, and their specific contradictions—explaining the dynamics that led to the victory of the settlers' Rhodesian Front Party in 1962, and to Smith's Unilateral Declaration of Independence in 1965. What was the initial impulse behind the essay, and what is its importance for you, looking back?*

'The Political Economy of Rhodesia' was written at the incitement of Van Velsen, who was relentlessly critical of my use of mathematical models. I had done a review of Colin Leys's book, *European Politics in Southern Rhodesia*, and Van Velsen suggested I develop it into a longer article. Here, and in 'Labour Supplies in Historical Perspective', I analysed the ways in which the full proletarianization of the Rhodesian peasantry created contradictions for capital accumulation—in fact, ended up producing more problems than advantages for the capitalist sector.<sup>1</sup> As long as proletarianization was partial, it created conditions in which the African peasants subsidized capital accumulation, because they produced part of their own subsistence; but the more proletarianized the peasantry became, the more these mechanisms began to break down. Fully proletarianized labour could be exploited only if it was paid a full living wage. Thus, instead of making it easier to exploit labour, proletarianization was actually making it more difficult, and often required the regime to become more repressive. Martin Legassick and Harold Wolpe, for example, maintained that South African Apartheid was primarily due to the fact that the regime had to become more repressive of the African labour force because it was fully proletarianized, and could no longer subsidize capital accumulation as it had done in the past.

The whole southern region of Africa—stretching from South Africa and Botswana through the former Rhodesias, Mozambique, Malawi, which was then Nyasaland, up to Kenya, as the north-east outpost—was characterized by mineral wealth, settler agriculture and extreme dispossession of the peasantry. It is very different from the rest of Africa, including the north. West African economies were essentially peasant-based. But the southern region—what Samir Amin called 'the Africa of the labour reserves'—was in many ways a paradigm of extreme peasant dispossession, and thus proletarianization. Several of us were pointing out that this process of extreme dispossession was contradictory. Initially it created the conditions for the peasantry to subsidize capitalist agriculture, mining, manufacturing and so on. But increasingly it created difficulties in exploiting, mobilizing, controlling the proletariat that was being created. The work that we were doing then—my 'Labour Supplies in Historical Perspective', and related works by Legassick and

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<sup>1</sup> See respectively: Arrighi, 'The Political Economy of Rhodesia', *NLR* 1/39, Sept–Oct 1966; Leys, *European Politics in Southern Rhodesia*, Oxford 1959; Arrighi, 'Labour Supplies in Historical Perspective: A Study of the Proletarianization of the African Peasantry in Rhodesia', collected in Arrighi and John Saul, *Essays on the Political Economy of Africa*, New York 1973.



Wolpe—established what came to be known as the Southern Africa Paradigm on the limits of proletarianization and dispossession.

Contrary to those who still identify capitalist development with proletarianization *tout court*—Robert Brenner, for example—the southern Africa experience showed that proletarianization, in and by itself, does not favour capitalist development—all kinds of other circumstances are required. For Rhodesia, I identified three stages of proletarianization, only one of which was favourable to capitalist accumulation. In the first stage, the peasants responded to rural capitalist development by supplying agricultural products, and would only supply labour in return for high wages. The whole area thus came to be characterized by a shortage of labour, because whenever capitalist agriculture or mining began developing, it created a demand for local produce which the African peasants were very quick to supply; they could participate in the money economy through the sale of produce rather than the sale of labour. One aim of state support for settler agriculture was to create competition for the African peasants, so that they would be forced to supply labour rather than products. This led to a long-drawn-out process that went from partial proletarianization to full proletarianization; but, as already mentioned it was also a contradictory process. The problem with the simple ‘proletarianization as capitalist development’ model is that it ignores not just the realities of southern Africa’s settler capitalism but also many other cases, such as the United States itself, which was characterized by a totally different pattern—a combination of slavery, genocide of the native population and the immigration of surplus labour from Europe.

*You were one of nine lecturers at UCRN arrested for political activities during the Smith government’s July 1966 clampdown?*

Yes, we were jailed for a week, and then deported.

*You went to Dar es Salaam, which sounded then like a paradise of intellectual interactions, in many ways. Can you tell us about that period, and the collaborative work you did there with John Saul?*

It was a very exciting time, both intellectually and politically. When I got to Dar es Salaam in 1966, Tanzania had only been independent for a few years. Nyerere was advocating what he considered to be a form

of African socialism. He managed to stay equidistant from both sides during the Sino-Soviet split, and maintained very good relations with the Scandinavians. Dar es Salaam became the outpost of all the exiled national liberation movements of southern Africa—from the Portuguese colonies, Rhodesia and South Africa. I spent three years at the University there, and met all kinds of people: activists from the Black Power movement in the US, as well as scholars and intellectuals like Immanuel Wallerstein, David Apter, Walter Rodney, Roger Murray, Sol Picciotto, Catherine Hoskins, Jim Mellon, who later was one of the founders of the Weathermen, Luisa Passerini, who was doing research on Frelimo, and many others; including, of course, John Saul.

At Dar es Salaam, working with John, I shifted my research interests from labour supplies to the issue of national liberation movements and the new regimes that were emerging out of decolonization. We were both sceptical about the capacity of these regimes to emancipate themselves from what was just starting to be called neocolonialism, and actually deliver on their promises of economic development. But there was also a difference between us, which I think has persisted until today, in that I was far less upset by this than John was. For me, these movements were national liberation movements; they were not in any way socialist movements, even when they embraced the rhetoric of socialism. They were populist regimes, and therefore I didn't expect much beyond national liberation, which we both saw as very important in itself. But whether there were possibilities for political developments beyond this is something that John and I still quarrel about to this day, good-humouredly, whenever we meet. But the essays we wrote together were the critique that we agreed upon.

*When you came back to Europe, you found a very different world to the one you'd left six years before?*

Yes. I came back to Italy in 1969, and I was immediately plunged into two situations. One was at the University of Trento, where I had been offered a lectureship. Trento was the main centre of student militancy, and the only university in Italy that gave doctorates in Sociology at the time. My appointment was sponsored by the organizing committee of the university, which consisted of the Christian Democrat Nino Andreatta, the liberal socialist Norberto Bobbio, and Francesco Alberoni; it was part of an attempt to tame the student movement through hiring a radical. In

the first seminar I gave, I only had four or five students; but in the fall semester, after my book on Africa came out in the summer of 1969, I had almost 1,000 students trying to get into the classroom.<sup>3</sup> My course became the big event of Trento. It even split Lotta Continua: the Boato faction wanted students to come to the class, to hear a radical critique of development theories, whereas the Rostagno faction was trying to disrupt the lectures by throwing stones at the classroom from the courtyard.

The second situation was in Turin, via Luisa Passerini, who was a prominent propagator of the Situationists' writings, and therefore had a big influence on many of the cadres of Lotta Continua who were picking up on Situationism. I was commuting from Trento to Turin, via Milan—from the centre of the student movement to the centre of the workers' movement. I felt attracted and at the same time bothered by some aspects of this movement—particularly its rejection of 'politics'. At some of the assemblies, very militant workers would stand up and say, 'Enough of politics! Politics is dragging us in the wrong direction. We need unity.' For me, it was quite a shock, coming from Africa, to discover that the Communist unions were considered reactionary and repressive by the workers in struggle—and there was an important element of truth in this. The reaction against the PCI unions became a reaction against all trade unions. Groups like Potere Operaio and Lotta Continua established themselves as alternatives, both to the unions and to the mass parties. With Romano Madera, who was then a student, but also a political cadre and a Gramscian—a rarity in the extra-parliamentary left—we began to develop the idea of finding a Gramscian strategy to relate to the movement.

That's where the idea of *autonomia*—of the intellectual autonomy of the working class—first emerged. The creation of this concept is now generally attributed to Antonio Negri. But in fact it originated in the interpretation of Gramsci that we developed in the early 1970s, in the Gruppo Gramsci co-founded by Madera, Passerini and myself. We saw our main contribution to the movement not as providing a substitute for the unions, or for the parties, but as students and intellectuals who were involved in helping the workers' vanguards to develop their own autonomy—*autonomia operaia*—through an understanding of the broader processes, both national and global, in which their struggles were taking place. In Gramscian terms, this was conceived as the

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<sup>3</sup> Arrighi, *Sviluppo economico e sovrastrutture in Africa*, Milan 1969.

formation of organic intellectuals of the working class in struggle. To this end we formed the Colletivi Politici Operai (CPOS), which became known as the Area dell'Autonomia. As these collectives developed their own autonomous practice, the Gruppo Gramsci would cease to have a function and could disband. When it actually was disbanded in the fall of 1973, Negri came into the picture, and took the CPOS and the Area dell'Autonomia in an adventurous direction that was far from what was originally intended.

*Were there any common lessons that you took from the African national liberation struggles and Italian working-class struggles?*

The two experiences had in common the fact that, in both, I had very good relations with the broader movements. They wanted to know on what basis I was participating in their struggle. My position was: 'I'm not going to tell you what to do, because you know your situation much better than I ever will. But I am better placed to understand the wider context in which it develops. So our exchange has to be based on the fact that you tell me what your situation is, and I tell you how it relates to the wider context which you cannot see, or can see only partially, from where you operate.' That was always the basis of excellent relations, both with the liberation movements in southern Africa and with the Italian workers.

The articles on the capitalist crisis originated in an exchange of this kind, in 1972.<sup>3</sup> The workers were being told, 'Now there is an economic crisis, we have to keep quiet. If we carry on struggling, the factory jobs will go elsewhere.' So the workers posed the question to us: 'Are we in a crisis? And if so, what are its implications? Should we just stay quiet now, because of this?' The articles that comprised 'Towards a Theory of Capitalist Crisis' were written within this particular problematic, framed by the workers themselves, who were saying: 'Tell us about the world out there and what we have to expect.' The starting-point of the articles was, 'Look, crises occur whether you struggle or not—they're not a function of workers' militancy, or of "mistakes" in economic management, but fundamental to the operations of capitalist accumulation itself.' That was the initial orientation. It was written at the very beginning of the crisis; before the existence of a crisis was widely recognized. It became

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<sup>3</sup> See, in English, Arrighi, 'Towards a Theory of Capitalist Crisis', *NLR* I/III, Sept-Oct 1978; first published in *Rassegna Comunista*, Nos 2, 3, 4 and 7, Milan 1972-3.

important as a framework that I've used, over the years, to monitor what is happening. From that point of view, it has worked pretty well.

*We'll come back to the theory of capitalist crises, but I wanted first to ask you about your work in Calabria. In 1973, just as the movement was finally starting to subside, you took up the offer of a teaching position at Cosenza?*

One of the attractions of going to Calabria, for me, was to continue in a new location my research on labour supplies. I had already seen in Rhodesia how, when the Africans were fully proletarianized—or, more precisely, when they became conscious that they were now fully proletarianized—this led to struggles to get a living wage in the urban areas. In other words, the fiction that 'We are single males, our families continue to live peasant lives in the countryside', cannot hold once they actually have to live in the cities. I had pointed this out in 'Labour Supplies in Historical Perspective'. It came into clearer focus in Italy, because there was this puzzle: migrants from the south were brought into the northern industrial regions as scabs, in the 1950s and early 1960s. But from the 1960s, and especially the late 1960s, they were transformed into class-struggle vanguards, which is a typical experience of migrants. When I set up a research working group in Calabria, I got them to read the social anthropologists on Africa, particularly on migration, and then we did an analysis of the labour supply from Calabria. The questions were: what was creating the conditions for this migration? And what were its limits—given that, at a certain point, instead of creating a docile labour force that could be used to undermine the bargaining power of the northern working class, the migrants themselves became the militant vanguard?

Two things emerged from the research. First, capitalist development does not necessarily rely on full proletarianization. On the one hand, long-distance labour migration was occurring from places where no dispossession was taking place; where there were even possibilities for the migrants to buy land from the landlords. This was related to the local system of primogeniture, whereby only the eldest son inherited the land. Traditionally, younger sons ended up joining the Church or the Army, until large-scale, long-distance migrations provided an increasingly important alternative way to earn the money necessary to buy land back home and set up their own farms. On the other hand, in the really poor areas, where labour was fully proletarianized, they usually could not afford to migrate at all. The only way in which they could do so was,

for example, when the Brazilians abolished slavery in 1888 and needed a substitute cheap labour force. They recruited workers from these deeply impoverished areas of southern Italy, paid their fares and resettled them in Brazil, to replace the emancipated slaves. These are very different patterns of migration. But generally speaking, it is not the very poor who migrate; it is necessary to have some means and connections in order to do so.

The second finding from the Calabrian research had similarities with the results from the research on Africa. Here, too, the migrants' disposition towards engaging in working-class struggles in the places to which they had moved depended on whether the conditions there were considered as permanently determining their life chances. It's not enough to say that the situation in the out-migrating areas determines what salaries and conditions the migrants will work for. One has to say at what point the migrants perceive themselves as deriving the bulk of their subsistence from wage employment—it's a switch that can be detected and monitored. But the main point to emerge was a different kind of critique of the idea of proletarianization as the typical process of capitalist development.

*The initial write-up of this research was stolen from a car in Rome, so the final write-up took place in the United States, many years after you moved to Binghamton in 1979, where world-systems analysis was being developed. Was this the first time you explicitly situated your position on the relationship between proletarianization and capitalist development vis-à-vis those of Wallerstein and Brenner?*

Yes, although I was not sufficiently explicit about this, even though I mentioned both Wallerstein and Brenner in passing; but the whole piece is, in fact, a critique of both of them.<sup>4</sup> Wallerstein holds the theory that relations of production are determined by their position in a core-periphery structure. According to him, in the periphery, you tend to have relations of production that are coercive; you don't have full proletarianization, which is a situation that you find in the core. Brenner has, in some respects, the opposite view, but in other ways it is very similar: that relations of production determine position in the core-periphery

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<sup>4</sup> See Arrighi and Fortunata Piselli, 'Capitalist Development in Hostile Environments: Feuds, Class Struggles and Migrations in a Peripheral Region of Southern Italy', *Review* (Fernand Braudel Center) vol. x, no. 4, 1987.

structure. In both, you have one particular relationship between position in the core-periphery and relations of production. The Calabrian research showed that this is not the case. There, within the same peripheral location, we found three different paths developing simultaneously, and mutually reinforcing each other. Moreover, the three paths strongly resembled developments that had, historically, characterized different core locations. One is very similar to Lenin's 'Junker' route—*latifundia* with full proletarianization; another to Lenin's 'American' route, of small and medium farms, embedded in the market. Lenin doesn't have the third one, which we called the Swiss route: long-distance migration, and then investment and retention of property back home. In Switzerland, there is no dispossession of the peasantry but rather a tradition of migration that led to the consolidation of small farming. The interesting thing about Calabria is that all three routes, which elsewhere are associated with a position in the core, are found here in the periphery—which is a critique both of Brenner's single process of proletarianization, and of Wallerstein's tracing of relations of production to position.

*Your Geometry of Imperialism appeared in 1978, before you went to the US. Re-reading it, I was struck by the mathematical metaphor—the geometry—which you use to construct the understanding of Hobson's theory of imperialism, and which performs a very useful function. But inside it, there's an interesting geographical question: when you bring Hobson and capitalism together, the notion of hegemony suddenly emerges, as a geometry-to-geography shift in what you're doing. What was the initial spur to writing The Geometry, and what is its importance for you?*

I was disturbed, at the time, by the terminological confusions that were swirling around the term 'imperialism'. My aim was to dissipate some of the confusion by creating a topological space in which the different concepts, which were often all confusingly referred to as 'imperialism', could be distinguished from one another. But as an exercise on imperialism, yes, it also functioned as a transition to the concept of hegemony for me. I spelled this out explicitly in the Postscript to the 1983 second edition of *The Geometry of Imperialism*, where I argued that the Gramscian concept of hegemony could be more useful than 'imperialism' in analysing contemporary dynamics of the inter-state system. From this point of view, what I—and others—did was simply to re-apply Gramsci's notion of hegemony to inter-state relations, where it had originally been before Gramsci applied it to an analysis

of class relations within a national political jurisdiction. In doing so, of course, Gramsci enriched the concept in many ways that had not been graspable before. Our re-exportation of it to the international sphere benefited enormously from this enrichment.

*A central influence in the conception of The Long Twentieth Century, published in 1994, is Braudel. After absorbing it, do you have any significant criticisms of him?*

The criticism is fairly easy. Braudel is an incredibly rich source of information about markets and capitalism; but he has no theoretical framework. Or more accurately, as Charles Tilly pointed out, he is so eclectic that he has innumerable partial theories, the sum of which is no theory. You can't simply rely on Braudel; you have to approach him with a clear idea of what you are looking for, and what you are extracting from him. One thing that I focused on, which differentiates Braudel from Wallerstein and all other world-systems analysts—not to speak of more traditional economic historians, Marxist or otherwise—is the idea that the system of national states, as it emerged in the sixteenth and seventeenth centuries, was preceded by a system of city-states; and that one has to look for the origins of capitalism there, in the city-states. This is the distinguishing feature of the West, or Europe, compared to other parts of the world. But you easily get lost if you just follow Braudel, because he takes you in so many different directions. For example, I had to extract this point and combine it with what I was learning from William McNeill's *Pursuit of Power*, which also argues, from a different perspective, that a system of city-states preceded and prepared the emergence of a system of territorial states.

*Another idea, to which you provide much greater theoretical depth, but which nevertheless comes from Braudel, is the notion that financial expansion announces the autumn of a particular hegemonic system, and precedes a shift to a new hegemon. This would seem a central insight of The Long Twentieth Century?*

Yes. The idea was that the leading capitalist organizations of a particular epoch would also be the leaders of the financial expansion, which always occurs when the material expansion of productive forces reaches its limits. The logic of this process—though again, Braudel doesn't provide it—is that when competition intensifies, investment in the material



economy becomes increasingly risky, and therefore the liquidity preference of accumulators is accentuated, which, in turn, creates the supply conditions of the financial expansion. The next question, of course, is how the demand conditions for financial expansions are created. On this, I relied on Weber's idea that inter-state competition for mobile capital constitutes the world-historical specificity of the modern era. This competition, I argued, creates the demand conditions for the financial expansion. Braudel's idea of 'autumn'—as the concluding phase of a process of leadership in accumulation, which goes from material to financial, and eventually to displacement by another leader—is crucial. But so is Marx's idea that the autumn of a particular state, experiencing financial expansion, is also the springtime for another location: surpluses that accumulate in Venice go to Holland; those that accumulate in Holland then go to Britain; and those that accumulate in Britain go to the United States. Marx thus enables us to complement what we have in Braudel: autumn becomes a spring elsewhere, producing a series of interconnected developments.

*The Long Twentieth Century traces these successive cycles of capitalist expansion and hegemonic power from the Renaissance to the present. In your narrative, phases of material expansion of capital eventually peter out under the pressure of overcompetition, giving way to phases of financial expansion, whose exhaustion then precipitates a time of inter-state chaos which is resolved by the emergence of a new hegemonic power, capable of restoring global order and restarting the cycle of material expansion once again, supported by a new social bloc. Such hegemons have been in turn Genoa, the Netherlands, Britain and the United States. How far do you regard their punctual appearance, each putting an end to a preceding time of troubles, as a set of contingencies?*

Good and difficult question! There is always an element of contingency. At the same time, the reason why these transitions take so long, and go through periods of turbulence and chaos, is that the agencies themselves, as they later emerge to organize the system, go through a learning process. This is clear if we look at the most recent case, that of the United States. By the late nineteenth century, the United States already had some characteristics that made it a possible successor to Britain as the hegemonic leader. But it took more than half a century, two world wars and a catastrophic depression before the United States actually developed both the structures and the ideas that, after the Second World War, enabled it

to become truly hegemonic. Was the development of the United States as a potential hegemon in the nineteenth century strictly a contingency, or is there something else? I don't know. Clearly, there was a contingent geographical aspect—North America had a different spatial configuration than Europe, which enabled the formation of a state that could not be created in Europe itself, except on the eastern flank, where Russia was also expanding territorially. But there was also a systemic element: Britain created an international credit system that, after a certain point, favoured the formation of the United States in particular ways.

Certainly, if there had been no United States, with its particular historical-geographical configuration in the late nineteenth century, history would have been very different. Who would have become hegemonic? We can only conjecture. But there was the United States, which was building, in many ways, on the tradition of Holland and Britain. Genoa was a bit different: I never say that it was hegemonic; it was closer to the type of transnational financial organization that occurs in diasporas, including the contemporary Chinese diaspora. But it was not hegemonic in the Gramscian sense that Holland, Britain and the United States were. Geography matters a lot; but even though these are three spatially very different hegemons, each built on organizational characteristics learned from the previous one. There is considerable borrowing by Britain from the Netherlands, and by the United States from Britain; these are an interlinked set of states—there is a kind of snowball effect. So, yes, there is contingency; but there are also systemic links.

*The Long Twentieth Century doesn't cover the fate of the labour movement. Did you omit it because you regarded it, by then, as of lesser importance, or because the architecture of the book—its subtitle is Money, Power and the Origins of Our Times—was already so far-reaching and complex that you felt to include labour would overload it?*

More the latter. *The Long Twentieth Century* was originally supposed to be co-authored with Beverly Silver—whom I first met in Binghamton—and was to be in three parts. One was the hegemonies, which now actually forms the book's first chapter. The second part was supposed to be capital—the organization of capital, the business enterprise; basically, competition. The third part was supposed to be labour—labour and capital relations, and labour movements. But the discovery of financialization as a recurrent pattern of historical capitalism upset the whole project. It

forced me to go back in time, which I never wanted to do, because the book was really supposed to be about the 'long twentieth century', meaning from the 1870s Great Depression through to the present. When I discovered the financialization paradigm I was thrown completely off balance, and *The Long Twentieth Century* became basically a book about the role of finance capital in the historical development of capitalism, from the fourteenth century. So Beverly took over the work on labour, in her *Forces of Labour*, which came out in 2003.<sup>5</sup>

*Co-authored by the two of you in 1999, Chaos and Governance seems to respect the kind of structure you'd initially planned for The Long Twentieth Century?*

Yes, in *Chaos and Governance* there are chapters on geopolitics, business enterprise, social conflict, and so on.<sup>6</sup> So the original project was never abandoned. But it certainly was not adhered to in *The Long Twentieth Century*, because I could not focus on the cyclical recurrence of financial expansions and material expansions and, at the same time, deal with labour. Once you shift the focus in defining capitalism to an alternation of material and financial expansions, it becomes very difficult to bring labour back in. Not only is there too much to cover, but there is also considerable variation over time and space in the relationship between capital and labour. For one thing, as we point out in *Chaos and Governance*, there is a speeding up of social history. When you compare transitions from one regime of accumulation to another, you realize that in the transition from Dutch to British hegemony in the eighteenth century, social conflict comes in late, relative to financial expansions and wars. In the transition from British to US hegemony in the early twentieth century, the explosion of social conflict was more or less simultaneous with the take-off of the financial expansion and wars. In the current transition—to an unknown destination—the explosion of social conflict in the late 1960s and early 1970s preceded the financial expansion, and took place without wars among the major powers.

In other words, if you take the first half of the twentieth century, the biggest workers' struggles occurred on the eve of the world wars, and in their aftermath. This was the basis of Lenin's theory of revolution:

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<sup>5</sup> Beverly J. Silver, *Forces of Labour Workers' Movements and Globalization Since 1870*, Cambridge 2003.

<sup>6</sup> Arrighi and Silver, *Chaos and Governance in the Modern World System*, Minneapolis 1999.

that inter-capitalist rivalries turning into wars would create favourable conditions for revolution, which is something that can be observed empirically up to the Second World War. In a sense one could argue that, in the present transition, the speeding up of social conflict has prevented capitalist states from waging wars on one another. So, to return to your question, in *The Long Twentieth Century* I chose to focus on elaborating fully the argument about financial expansions, systemic cycles of capital accumulation and world hegemonies; but in *Chaos and Governance* we returned to the issue of the inter-relations between social conflict, financial expansions and hegemonic transitions.

In his discussion of primitive accumulation, Marx writes about the national debt, the credit system, the bankocracy—in a way, the integration between finance and state that occurred during primitive accumulation—as being absolutely critical to the way in which a capitalist system evolves. But the analysis in *Capital* refuses to deal with the credit system until you get to Volume Three, because Marx doesn't want to deal with interest, even though the credit system keeps on coming up as crucial to the centralization of capital, to the organization of fixed capital, and so on. This raises the question of how class struggle actually works around the finance-state nexus, which plays the vital role that you're pointing to. There seems to be a gap in Marx's analysis: on the one hand, saying the important dynamic is that between capital and labour; on the other hand, labour doesn't seem to be crucial to the processes that you're talking about—transferences of hegemony, jumping of scales. It's understandable that *The Long Twentieth Century* had a hard time integrating labour into that story, because in a sense the capital-labour relation is not central to that aspect of the capitalist dynamic. Would you agree with that?

Yes, I agree, with one qualification: the phenomenon I mentioned of the speeding up of social history. The worker struggles of the 1960s and early 1970s, for example, were a major factor in the financialization of the late 1970s and 1980s, and the ways in which it evolved. The relationship between workers' and subaltern struggles and financialization is something that changes over time, and has recently developed characteristics that it didn't have before. But if you are trying to explain the recurrence of financial expansions, you cannot focus too much on labour, because then you will be talking only about the latest cycle; you are bound to make the mistake of taking labour as the cause of financial expansions, when earlier ones took off without the intervention of workers' or subaltern struggles.

Still on the question of labour, then, could we track back to your 1990 essay on the remaking of the world labour movement, 'Marxist Century, American Century'.<sup>7</sup> You argued there that Marx's account of the working class in the Manifesto is deeply contradictory, since it stresses at once the increasing collective power of labour, as capitalist development proceeds, and its increasing immiseration, corresponding in effect to an active industrial army and a reserve army. Marx, you pointed out, thought that both tendencies would be united in the same human mass; but you went on to argue that, in the early twentieth century, they in fact became spatially polarized. In Scandinavia and the Anglosphere, the first prevailed, in Russia and further east the second—Bernstein capturing the situation of the former, Lenin of the latter—leading to the split between reformist and revolutionary wings of the labour movement. In Central Europe—Germany, Austria, Italy—on the other hand, you argued that there was a more fluctuating balance between active and reserve, leading to Kautsky's equivocations, unable to choose between reform or revolution, contributing to the victory of fascism. At the end of the essay you suggested that a recomposition of the labour movement might be coming about—misery reappearing in the West, with the return of widespread unemployment; and collective power of workers, with the rise of Solidarity, in the East, perhaps reuniting what space and history had divided. What is your view of such a prospect today?

Well, the first thing is that, along with this optimistic scenario from the point of view of uniting the conditions of the working class globally, there was a more pessimistic consideration in the essay, pointing to something that I've always considered a very serious flaw in Marx and Engels's *Manifesto*. There is a logical leap that does not really hold up, intellectually or historically—the idea that, for capital, those things that we would today call gender, ethnicity, nationality, do not matter. That the only thing that matters for capital is the possibility of exploitation; and therefore the most exploitable status group within the working class is the one they will employ, without any discrimination on the basis of race, gender, ethnicity. That's certainly true. However, it doesn't follow that the various status groups within the working class will just accept this. In fact, it is precisely at the point when proletarianization becomes generalized, and workers are subjected to this disposition of capital, that they will mobilize whatever status difference they can identify or construct to win a privileged treatment from the capitalists. They will mobilize along

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<sup>7</sup> Arrighi, 'Marxist Century, American Century: The Making and Remaking of the World Labour Movement', NLR 1/179, Jan–Feb 1990.

gender lines, national lines, ethnicity or whatever, to obtain a privileged treatment from capital.

'Marxist Century, American Century' is therefore not as optimistic as it might have seemed, because it pointed to this internal working-class tendency to accentuate status differences, to protect themselves from the disposition of capital to treat labour as an undifferentiated mass that would be employed only to the extent that it enabled capital to reap profits. So the article ended on an optimistic note, that there is a tendency toward levelling; but at the same time one should expect workers to fight to protect themselves through status-group formation or consolidation against this very tendency.

*Does this mean that the differentiation between the active army and the industrial reserve army also tends to be status-divided—racialized, if you will?*

It depends. If you look at the process globally—where the reserve army is not just the unemployed, but also the disguisedly unemployed and the excluded—then definitely there is a status division between the two. Nationality has been used by segments of the working class, of the active army, to differentiate themselves from the global reserve army. At a national level, this is less clear. If you take the United States or Europe, it's much less apparent that there is actually a status difference between the active and reserve army. But with immigrants currently coming from countries that are much poorer, anti-immigration sentiments which are a manifestation of this tendency to create status distinctions within the working class have grown. So it's a very complicated picture, particularly if you look at transnational migration flows, and at the situation where the reserve army is primarily concentrated in the global South rather than the North.

*In your 1991 article, 'World Income Inequalities and the Future of Socialism', you showed the extraordinary stability of the regional wealth hierarchy in the twentieth century—the extent to which the gap in per capita income between the core North/West and the semi-peripheral and peripheral South/East of the world had remained unchanged, or actually deepened, after half a century of developmentalism.<sup>8</sup> Communism, you pointed out, had failed to close this gap in Russia, Eastern Europe and China, though it had done no worse in this*

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<sup>8</sup> Arrighi, 'World Income Inequalities and the Future of Socialism', *NLR* 1/189, Sept–Oct 1991.

*respect than capitalism in Latin America, Southeast Asia or Africa, and in other respects—a more egalitarian distribution of income within society, and greater independence of the state from the North/Western core—it had done significantly better. A couple of decades later, China has obviously broken the pattern you were describing then. How far did this come—or not come—as a surprise to you?*

First of all, we should not exaggerate the extent to which China has broken the pattern. The level of per capita income in China was so low—and still is low, compared to the wealthy countries—that even major advances need to be qualified. China has doubled its position relative to the rich world, but still that only means going from 2 per cent of the average per capita income of the wealthy countries to 4 per cent. It is true that China has been decisive in producing a reduction in world income inequalities *between* countries. If you take China out, the South's position has worsened since the 1980s; if you keep it in, then the South has improved somewhat, due almost exclusively to China's advance. But of course, there has been a big growth in inequality within the PRC, so China has also contributed to the world-scale increase in inequalities *within* countries in recent decades. Taking the two measures together—inequality between and within countries—statistically China has brought about a reduction in total global inequality. We should not exaggerate this—the world pattern is still one of huge gaps, which are being reduced in small ways. However, it's important because it changes relationships of power between countries. If it continues, it may even change the global distribution of income from one that is still very polarized to a more normal, Pareto-type distribution.

Was I surprised at this? To some extent, yes. In fact, that's why I shifted my interest over the last fifteen years to studying East Asia, because I realized that, although East Asia—except for Japan, clearly—was part of the South, it had some peculiarities that enabled it to generate a kind of development that did not quite fit within that pattern of stable inequality among regions. At the same time, no one ever claimed—I certainly did not—that stability in the global distribution of income also meant immobility of particular countries or regions. A fairly stable structure of inequalities can persist, with some countries going up and others down. And this, to some extent, is what has been happening. From the 1980s and 1990s, in particular, the more important development has been the bifurcation of a highly dynamic and upwardly mobile East Asia

and a stagnant and downwardly mobile Africa, and particularly southern Africa—‘the Africa of the labour reserves’, again. This bifurcation is the thing that interests me most: why southern Africa and East Asia have moved in such opposite directions. It’s a very important phenomenon to try to understand, because to do so would also modify our understanding of the underpinnings of successful capitalist development, and the extent to which it relies or not on dispossession—the complete proletarianization of the peasantry—as happened in southern Africa, or on the very partial proletarianization that has taken place in East Asia. So the divergence of these two regions brings up a big theoretical question, which once again challenges Brenner’s identification of capitalist development with the full proletarianization of the labour force.

*Chaos and Governance argued early on, in 1999, that American hegemony would decline principally through the rise of East Asia, and above all of China. At the same time it raised the prospect that this would also be the region where labour might in future pose the sharpest challenge to capital, worldwide. It has sometimes been suggested that there’s a tension between these perspectives—the rise of China as a rival power centre to the United States, and mounting unrest among the labouring classes in China. How do you see the relationship between the two?*

The relationship is very close, because, first of all, contrary to what many people think, the Chinese peasants and workers have a millennial tradition of unrest that has no parallel anywhere else in the world. In fact, many of the dynastic transitions were driven by rebellions, strikes and demonstrations—not just of workers and peasants, but also shopkeepers. This is a tradition that continues down to the present. When Hu Jintao told Bush, a few years ago, ‘Don’t worry about China trying to challenge US dominance; we have too many preoccupations at home’, he was pointing to one of the chief characteristics of Chinese history: how to counter the combination of internal rebellions by the subordinate classes, and external invasions by so-called barbarians—from the Steppes, up to the nineteenth century, and then, since the Opium Wars, from the sea. These have always been the overwhelming concerns of Chinese governments, and they set narrow limits on China’s role in international relations. The late-eighteenth and nineteenth-century imperial Chinese state was basically a kind of pre-modern welfare state. These characteristics were reproduced throughout its subsequent evolution. During the 1990s, Jiang Zemin let the capitalist genie out



of the bottle. Current attempts to put it back again have to be set in the context of this much longer tradition. If rebellions of the Chinese subordinate classes materialize in a new form of welfare state, then that will influence the pattern of international relations over the next twenty, thirty years. But the balance of forces between the classes in China is still up for grabs at the moment.

Is there a contradiction between being a major centre of social unrest and being a rising power? Not necessarily—the United States in the 1930s was in the vanguard of worker struggles, at the same time that it was emerging as hegemonic. The fact that these struggles were successful, in the midst of the Great Depression, was a significant factor in making the US socially hegemonic for the working classes as well. This was certainly the case in Italy, where the American experience became the model for some of the Catholic trade unions.

*Recent statements from China suggest a great deal of worry about the levels of unemployment that may result from a global recession, with an array of measures to counteract it. But does this also entail the continuation of the development model in ways that may, in the end, challenge the rest of global capitalism?*

The question is whether the measures that Chinese rulers take, in response to the subordinate groups' struggles, can work in other places where the same conditions do not exist. The issue of whether China can become a model for other states—particularly other big Southern states, like India—is dependent on a lot of historical and geographical specificities that may not be reproducible elsewhere. The Chinese know this, and they do not actually set themselves up as a model to be imitated. So what happens in China will be crucial in terms of the relationship between the PRC and the rest of the world, but not in terms of setting up a model for others to follow. Nevertheless there is an interpenetration of struggles there—of worker and peasant struggles against exploitation, but also of struggles against environmental problems and ecological destruction—that you don't find to the same extent elsewhere. These struggles are escalating at the moment, and it will be important to see how the leadership responds. I think that the change in leadership to Hu Jintao and Wen Jiabao is related to nervousness, at the least, about abandoning a long-standing welfare tradition. So, we'll have to monitor the situation and watch for possible outcomes.

*To return to the question of capitalist crises. Your 1972 essay, 'Towards a Theory of Capitalist Crisis', turns on a comparison between the long downturn of 1873–1896 and the prediction, which proved completely accurate, of another such crisis, which historically started in 1973. You've returned to this parallel several times since, pointing out the similarities but also the important differences between the two. But you've written less about the crisis of 1929 onwards. Do you regard the Great Depression as continuing to be of less relevance?*

Well, not of less relevance, because in fact it is the most serious crisis that historical capitalism has experienced; certainly, it was a decisive turning point. But it also educated the powers-that-be in terms of what they should do so as not to repeat that experience. There are a variety of recognized and less recognized instruments for preventing that type of breakdown from happening again. Even now, though the collapse in the stock exchange is being compared to the 1930s, I think—I may be wrong—that both the monetary authorities and the governments of the states that actually matter in this are going to do all they can to avoid the collapse in the financial markets having similar social effects to the 1930s. They just cannot afford it, politically. And so they will muddle through, do anything they have to. Even Bush—and before him Reagan—for all their free-market ideology, relied on an extreme kind of Keynesian deficit spending. Their ideology is one thing, what they actually do is another, because they are responding to political situations which they cannot allow to deteriorate too much. The financial aspects may be similar to the 1930s, but there is a greater awareness and tighter constraints on the political authorities not to let these processes affect the so-called real economy to the same extent that they did in the 1930s. I'm not saying that the Great Depression is less relevant, but I'm not convinced that it is going to be repeated in the near future. The situation of the world economy is radically different. In the 1930s it was highly segmented, and that may have been a factor in producing the conditions for those breakdowns. Now it's far more integrated.

*In 'Towards a Theory of Capitalist Crisis' you describe a deep structural conflict within capitalism, in which you differentiate between crises that are caused by too high a rate of exploitation, which lead to a realization crisis because of insufficient effective demand, and those caused by too low a rate of exploitation, which cuts into demand for means of production. Now, do you still hold to this general distinction, and if so would you say that we are now in an underlying realization crisis, masked by expanding personal indebtedness*

*and financialization, due to the wage repressions that have characterized capitalism over the last thirty years?*

Yes. I think that over the last thirty years there has been a change in the nature of the crisis. Up to the early 1980s, the crisis was typically one of falling rate of profits due to intensifying competition among capitalist agencies, and due to circumstances in which labour was much better equipped to protect itself than in the previous depressions—both in the late-nineteenth century and in the 1930s. So that was the situation through the 1970s. The Reagan–Thatcher monetary counter-revolution was actually aimed at undermining this power, this capacity of the working classes to protect themselves—it was not the only objective, but it was one of the main objectives. I think that you quote some adviser of Thatcher, saying that what they did was . . .

*. . . to create an industrial reserve army; exactly . . .*

. . . what Marx says they should do! That changed the nature of the crisis. In the 1980s and 1990s and now, in the 2000s, we are indeed facing an underlying overproduction crisis, with all its typical characteristics. Incomes have been redistributed in favour of groups and classes that have high liquidity and speculative dispositions; so incomes don't go back into circulation in the form of effective demand, but they go into speculation, creating bubbles that burst regularly. So, yes, the crisis has been transformed from one of falling rate of profit, due to intensified competition among capitals, to one of overproduction due to a systemic shortage of effective demand, created by the tendencies of capitalist development.

*A recent report of the National Intelligence Council predicted the end of US global dominance by 2025, and the emergence of a more fragmented, multipolar, and potentially conflictual world. Do you think that capitalism as a world system requires, as a condition of possibility, a single hegemonic power? Is the absence of one necessarily equivalent to unstable systemic chaos—is a balance of power between roughly comparable major states impossible?*

No, I wouldn't say that it's impossible. A lot depends on whether the incumbent hegemonic power accepts accommodation or not. The chaos of the last six, seven years is due to the response of the Bush Administration to 9/11, which has in some respects been a case of great-power suicide. What the declining power does is very important,

because they have the ability to create chaos. The whole 'Project for a New American Century' was a refusal to accept decline. That has been a catastrophe. There has been the military debacle in Iraq and the related financial strain on the US position in the world economy, transforming the United States from a creditor nation into the biggest debtor nation in world history. As a defeat, Iraq is worse than Vietnam, because in Indo-China there was a long tradition of guerrilla warfare: they had a leader of the calibre of Ho Chi Minh; they had already defeated the French. The tragedy for the Americans in Iraq is that, even in the best possible circumstances, they have a hard time winning the war, and now they are just trying to get out with some face-saving device. Their resistance to accommodation has led, first, to an acceleration of their decline, and second, to a lot of suffering and chaos. Iraq is a disaster. The size of the displaced population there is far bigger than in Darfur.

It is not clear what Obama actually wants to do. If he thinks that he can reverse the decline, he's going to have some very nasty surprises. What he can do is to manage the decline intelligently—in other words, change the policy from: 'We are not accommodating. We want another century', to one of *de facto* managing decline, devising policies that accommodate the change in power relationships. I don't know whether he's going to do so because he's very ambiguous; whether because in politics you cannot say certain things, or because he doesn't know what to do, or because he just is ambiguous—I don't know. But the change from Bush to Obama does open up the possibility of managing and accommodating the decline of the United States in a non-catastrophic way. Bush has had the opposite effect: the credibility of the American military has been further undermined, the financial position has become even more disastrous. So now the task facing Obama, I think, is managing decline intelligently. That's what he can do. But his idea of escalating US intervention in Afghanistan is worrying, to say the least.

*Over the years, while always basing your work on Marx's conception of capital accumulation, you've never hesitated to express a number of leading criticisms of Marx—his underestimation of power struggles between states, his indifference to space, the contradictions in his account of the working class, among others. For a long time you've also been fascinated by Adam Smith, who plays a central role in your latest work, Adam Smith in Beijing. What would be your comparable reservations about him?*

The comparable reservations about Smith are the same as Marx's reservations about him. Marx took a lot from Smith—the tendency of the rate of profit to fall under the impact of inter-capitalist competition, for example, is a Smithian idea. *Capital* is a critique of political economy: Marx was criticizing Smith for missing what was going on in the hidden abodes of production, as he put it—inter-capitalist competition might drive down the rate of profit, but it was countered by the tendency and ability of capitalists to shift the relationships of power with the working class in their favour. From this point of view, Marx's critique of Smith's political economy was making a crucial point. However, one also has to look at the historical evidence, because Marx's was a theoretical construct, with assumptions that may not correspond to the historical reality of particular periods or places. We cannot infer empirical realities from a theoretical construct. The validity of his critique of Smith has to be assessed on the basis of the historical record; that applies to Smith as much as it applies to Marx, or anybody else.

*One of Marx's conclusions in Capital, particularly Volume One, is that adoption of a Smithian free-market system will lead to increases in class inequality. To what degree does the introduction of a Smithian regime in Beijing carry the risk of even greater class inequalities in China?*

My argument in the theoretical chapter on Smith, in *Adam Smith in Beijing*, is that there is no notion in his work of self-regulating markets as in the neoliberal creed. The invisible hand is that of the state, which should rule in a decentralized way, with minimal bureaucratic interference. Substantively, the action of the government in Smith is pro-labour, not pro-capital. He is quite explicit that he is not in favour of making workers compete to reduce wages, but of making capitalists compete, to reduce profits to a minimum acceptable reward for their risks. Current conceptions turn him completely upside-down. But it's unclear where China is headed today. In the Jiang Zemin era, in the 1990s, it was certainly headed in the direction of making workers compete for the benefit of capital and profit; there is no question about that. Now there is a reversal, one which as I've said takes into account not only the tradition of the Revolution and the Mao period, but also of the welfare aspects of late-imperial China under the Qing in the eighteenth and early nineteenth centuries. I'm not putting bets on any particular outcome in China, but we must have an open mind in terms of seeing where it's going.

*In Adam Smith in Beijing, you also draw on Sugihara Kaoru's work in contrasting an 'industrious revolution', based on intensive labour and husbanding of nature, in early modern East Asia, and an 'industrial revolution', based on mechanization and predation of natural resources, and speak of the hope that there could be a convergence of the two for humanity in the future. How would you estimate the balance between them in East Asia today?*

Very precarious. I am not as optimistic as Sugihara in thinking that the East Asian tradition of 'industrious revolution' is so well entrenched that it may, if not become dominant again, at least play an important role in whatever hybrid formation is going to emerge. These concepts are more important for monitoring what's happening than saying, East Asia is going this way, or the United States is going the other way. We need to see what they actually do. There is evidence that the Chinese authorities are worried about the environment, as well as about social unrest—but then they do things that are plain stupid. Maybe there is a plan in the works, but I don't see much awareness of the ecological disasters of car civilizations. The idea of copying the United States from this point of view was already crazy in Europe—it's even crazier in China. And I've always told the Chinese that in the 1990s and 2000s, they went to look at the wrong city. If they want to see how to be wealthy without being ecologically destructive, they should go to Amsterdam rather than Los Angeles. In Amsterdam, everybody goes around on bicycles; there are thousands of bikes parked at the station overnight, because people come in by train, pick up their bicycles in the morning and leave them there again in the evening. Whereas in China, while there were no cars at all the first time I was there in 1970—only a few buses in a sea of bicycles—now, more and more, the bicycles have been crowded out. From that point of view it's a very mixed picture, very worrying and contradictory. The ideology of modernization is discredited elsewhere but so far is living on, rather naively, in China.

*But the implication of Adam Smith in Beijing seems to be that we might need something of an industrious revolution in the West, and that therefore this is a category that's not specific to China, but can actually be much broader?*

Yes. But Sugihara's basic point is that the typical development of the industrial revolution, the substitution of machinery and energy for labour, not only has ecological limits, as we know, but it has economic limits as well. In fact, Marxists often forget that Marx's idea of the increasingly

organic composition of capital, driving down the rate of profit, has to do substantively with the fact that the use of more machines and energy intensifies competition among capitalists in such a way that it becomes less profitable, besides being ecologically destructive. Sugihara's point is that the separation of management and labour, the growing dominance of management over labour, and the fact that labour is deprived of its skills, including those of self-management, which is typical of the industrial revolution, has limits. In the industrious revolution there is a mobilization of all the household's resources, which develops, or at least preserves, managerial skills among the labourers. Eventually the advantages of these self-management skills become more important than the advantages derived from the separation of conception and execution that was typical of the industrial revolution. I think he has a point, in the sense that this is pretty crucial to understanding the present Chinese rise; that having preserved these self-management skills through serious limitations on the processes of proletarianization in a substantive sense, China now can have an organization of the labour process that is more reliant on the self-management skills of labour than elsewhere. This is probably one of the main sources of the competitive advantage of China, under the new circumstances.

*Which would take us back to the politics of the Gramsci Group, in terms of the labour process and autonomia?*

Yes and no. They are two different forms of autonomy. What we are talking about now is managerial autonomy, whereas the other was autonomy in struggle, in the workers' antagonism towards capital. There, the idea of autonomy was: how do we formulate our programme in such a way that we unite workers in the struggle against capital, rather than divide labour and create the conditions for capital to re-establish its authority on the workers in the workplace? The present situation is ambiguous. Many look at Chinese self-management skills and see them as a way of subordinating labour to capital—in other words, capital saves on managerial costs. One has to put these self-management skills in context—where, when, and for what purpose. It is not that easy to classify it in one way or another.

*You ended 'World Income Inequalities' in 1991 by arguing that, after the collapse of the USSR, deepening and widening conflicts over scarce resources within the South—the Iraq–Iran War or the Gulf War can be taken as*

*emblematic—were forcing the West to create embryonic structures of world government to regulate these: the G7 as an executive committee of the global bourgeoisie, the IMF and World Bank as its Ministry of Finance, the Security Council as its Ministry of Defence. These structures, you suggested, might fifteen years hence be taken over by non-conservative forces. In Adam Smith in Beijing you speak rather of a world-market society as a potentially hopeful future, in which no power is any longer a hegemon. What is the relationship between the two, and your conceptions of them?*

First, I didn't actually say that the structures of world government emerged because of the conflicts within the South. Most of them were Bretton Woods organizations, set up by the United States after the Second World War as mechanisms that were necessary to avoid the pitfalls of self-regulating markets in the global economy, and as instruments of governance. So, from the start of the post-war era there were embryonic structures of world government in place. What happened in the 1980s was an increasing turbulence and instability, of which these conflicts in the South were an aspect, and therefore these institutions were brought in to manage the world economy in a different way than before. Could they be taken over by non-conservative forces? My attitude to these institutions was always ambivalent, because in many ways they reflect a balance of power among the states of the North and the South—within the North, between North and South, and so on. There was nothing in principle that ruled out the possibility that these institutions could actually be put to work to regulate the global economy in ways that might promote a more equal distribution of incomes worldwide. However, what happened is exactly the opposite. In the 1980s, the IMF and the World Bank became the instruments of the neoliberal counter-revolution, and therefore promoted a more unequal distribution of income. But even then, as I've said, what happened in the end was not so much a more unequal distribution between North and South, but a big bifurcation within the South itself, with East Asia doing very well and southern Africa doing very badly, and other regions somewhere in the middle.

How does that relate to the world-market society concept that I discuss in *Adam Smith in Beijing*? It is now clear that a world state, even of the most embryonic, confederal type, would be very difficult to bring about. It is not a serious possibility in the near future. There is going to be a world-market society, in the sense that countries will be relating to one another



through market mechanisms which are not at all self-regulating, but are regulated. This was also true of the system developed by the United States, which was a highly regulated process whereby the elimination of tariffs, quotas and restrictions on labour mobility was always negotiated by states—most importantly by the United States and Europe, and then between these and the others. The question now is what regulation is going to be introduced to prevent a 1930s-style breakdown of the market. So the relationship between the two concepts is that the organization of the world economy will be primarily market-based, but with an important participation of states in the regulation of this economy.

*In The Long Twentieth Century, you sketched three possible outcomes of the systemic chaos into which the long wave of financialization that started in the early 1970s was leading: a world empire controlled by the United States, a world-market society in which no states dominated others, or a new world war that would destroy humanity. In all three eventualities, capitalism, as it has historically developed, would have disappeared. In Adam Smith in Beijing, you conclude that, with the failures of the Bush Administration, the first can now be ruled out, leaving just the last two. But isn't there, logically at least, one possibility within your own framework—that China could emerge over time as a new hegemon, replacing the United States, without altering the structures of capitalism and territorialism as you describe them? Do you exclude this possibility?*

I don't exclude that possibility, but let's begin by putting the record straight about what I actually say. The first of the three scenarios that I envisaged at the end of *The Long Twentieth Century* was a world empire controlled not only by the United States, but by the United States in cooperation with its European allies. I never thought that the US would be so reckless as to try to go it alone for a New American Century—that was just too crazy a project to contemplate; and, of course, it backfired immediately. In fact, there is a strong current within the US foreign-policy establishment that wants to patch up the relationship with Europe, which was strained by the unilateralism of the Bush Administration. That's still a possibility, although it's now less likely than it used to be. The second point is that the world-market society and the greater weight of China in the global economy are not mutually exclusive. If you look at the way in which China has behaved towards its neighbours historically, there has always been a relationship based more on trade and economic exchanges than on military power; this is still the case. People often misunderstand

this: they think I am depicting the Chinese as being softer or better than the West; it's nothing to do with that. It has to do with the problems of governance of a country like China, which we've discussed. China has a tradition of rebellions that no other territory of similar size and density of population has faced. Its rulers are also highly conscious of the possibility of new invaders from the sea—in other words, the US. As I point out in Chapter Ten of *Adam Smith in Beijing*, there are various American plans for how to deal with China, none of which are exactly reassuring for Beijing. Apart from the Kissinger plan, which is one of cooptation, the others envisage either a new Cold War directed against China or getting China involved in wars with its neighbours, while the US plays the role of 'happy third'. If China does emerge, as I think it will, as a new centre of the global economy, its role will be radically different from that of previous hegemony. Not just because of cultural contrasts, rooted as these are in historical-geographical differences; but precisely because the different history and geography of the East Asian region will have an impact on the new structures of the global economy. If China is going to be hegemonic, it's going to be hegemonic in very different ways to the others. For one thing, military power will be far less important than cultural and economic power—particularly economic power. They have to play the economic card far more than the US ever did, or the British, or the Dutch.

*Do you foresee greater unity within East Asia? There is talk, for example, of a sort of Asian IMF facility, unification of currency—do you see China as the centre of an East Asian hegemon, rather than a solo player? And if so, how does that fit with the rising nationalisms in South Korea, Japan and China?*

What is most interesting about East Asia is how, in the end, the economy is determinant of states' dispositions and policies towards one another, in spite of their nationalisms. The nationalisms are very well entrenched, but they are related to a historical fact often forgotten in the West: that Korea, China, Japan, Thailand, Cambodia, all of these were national states long before there was a single nation-state in Europe. They all have histories of nationalist reactions to one another, in a framework that was predominantly economic. Occasionally there were wars, and the attitude of the Vietnamese towards China, or the Koreans towards Japan, is deeply rooted in the memory of these wars. At the same time, the economy seems to rule. It was striking that the nationalist resurgence in Japan, under the Koizumi government, was suddenly checked when

it became clear that Japanese business was interested in doing business with China. In China, too, there was a big wave of anti-Japanese demonstrations, but then they stopped. The general picture in East Asia is that there are deep nationalist dispositions, but at the same time they tend to be superseded by economic interests.

*The current crisis of the world financial system looks like the most spectacular vindication of your long-standing theoretical predictions that anyone could imagine. Are there any aspects of the crisis that have surprised you?*

My prediction was very simple. The recurrent tendency towards financialization was, as Braudel put it, a sign of the autumn of a particular material expansion, centring on a particular state. In *The Long Twentieth Century*, I called the onset of financialization the signal crisis of a regime of accumulation, and pointed out that over time—usually it was around half a century—the terminal crisis would follow. For previous hegemonies, it was possible to identify both the signal crisis and then the terminal crisis. For the United States, I ventured the hypothesis that the 1970s was the signal crisis; the terminal crisis had not yet come—but it would. How would it come? The basic hypothesis is that all these financial expansions were fundamentally unsustainable, because they were drawing into speculation more capital than could actually be managed—in other words, there was a tendency for these financial expansions to develop bubbles of various kinds. I foresaw that this financial expansion would eventually lead to a terminal crisis, because bubbles are as unsustainable today as they have been in the past. But I did not foresee the details of the bubbles: the dot.com boom, or the housing bubble.

Also, I was ambiguous about where we were in the early 1990s, when I wrote *The Long Twentieth Century*. I thought that in some ways the Belle Epoque of the United States was already over, whereas it was actually only beginning. Reagan prepared it by provoking a major recession, which then created the conditions for the subsequent financial expansion; but it was Clinton who actually oversaw the Belle Epoque, which then ended with the financial collapse of the 2000s, especially of the Nasdaq. With the bursting of the housing bubble, what we are observing now is, quite clearly, the terminal crisis of US financial centrality and hegemony.

*What marks your work off from almost everyone else in your field is your appreciation for the flexibility, adaptability and fluidity of capitalist development,*

within the framework of the inter-state system. Yet in the *longue durée*, such as the 500, 150 and 50-year framework you adopted for the collective examination of East Asia's position in the inter-state system, patterns emerge that are astonishingly clear, almost stark in their determinacy and simplicity.<sup>9</sup> How would you characterize the relationship between contingency and necessity in your thinking?

There are two different questions here: one concerns an appreciation of the flexibility of capitalist development and the other is the recurrence of patterns, and the extent to which these are determined by contingency or necessity. On the first, the adaptability of capitalism: this is partly related to my personal experience in business, as a young man. Initially I tried to run my father's business, which was relatively small; then I did a dissertation on my grandfather's business, which was bigger—a medium-sized company. Then I quarrelled with my grandfather and went into Unilever, which in terms of employees was the second-largest multinational at the time. So I had the luck—from the point of view of analysing the capitalist business enterprise—of going into successively larger firms, which helped me understand that you cannot talk about capitalist enterprises in general, because the differences between my father's business, my grandfather's business and Unilever were incredible. For example, my father spent all his time going to visit customers in the textile districts, and studying the technical problems that they had with their machines. Then he would go back to the factory and discuss the problems with his engineer; they would customize the machine for the client. When I tried to run this business, I was totally lost; the whole thing was based on skills and knowledge that were part of my father's practice and experience. I could go around and see the customers, but I couldn't solve their problems—I couldn't even really understand them. So it was hopeless. In fact, in my youth, when I used to say to my father, 'If the Communists come, you are going to be in trouble', he said, 'No, I'm not going to be in trouble, I'll continue to do what I'm doing. They need people who do this.'

When I closed my father's business, and went into my grandfather's, it was already more of a Fordist organization. They were not studying the customers' problems, they were producing standardized machines; either the customers wanted them or they didn't. Their engineers were

<sup>9</sup> Arrighi, Takeshi Hamashita and Mark Selden, eds, *The Resurgence of East Asia: 500, 150 and 50 Year Perspectives*, London 2003.

designing machines on the basis of what they thought there would be a market for, and telling the customers: this is what we have. It was embryonic mass production, with embryonic assembly lines. When I went to Unilever, I barely saw the production side. There were many different factories—one was making margarine, another soap, another perfumes. There were dozens of different products, but the main site of activity was neither the marketing organization nor the place of production, but finance and advertising. So, that taught me that it's very hard to identify one specific form as 'typically' capitalist. Later, studying Braudel, I saw that this idea of the eminently adaptable nature of capitalism was something that you could observe historically.

One of the major problems on the left, but also on the right, is to think that there is only one kind of capitalism that reproduces itself historically; whereas capitalism has transformed itself substantively—particularly on a global basis—in unexpected ways. For several centuries capitalism relied on slavery, and seemed so embedded in slavery from all points of view that it could not survive without it; whereas slavery was abolished, and capitalism not only survived but prospered more than ever, now developing on the basis of colonialism and imperialism. At this point it seemed that colonialism and imperialism were essential to capitalism's operation—but again, after the Second World War, capitalism managed to discard them, and to survive and prosper. World-historically, capitalism has been continually transforming itself, and this is one of its main characteristics; it would be very short-sighted to try to pin down what capitalism is without looking at these crucial transformations. What remains constant through all these adaptations, and defines the essence of capitalism, is best captured by Marx's formula of capital  $M-C-M'$ , to which I refer repeatedly in identifying the alternation of material and financial expansions. Looking at present-day China, one can say, maybe it's capitalism, maybe not—I think it's still an open question. But assuming that it is capitalism, it's not the same as that of previous periods; it's thoroughly transformed. The issue is to identify its specificities, how it differs from previous capitalisms, whether we call it capitalism or something else.

*And the second part of the question—the emergence of such distinct, longue-durée patterns in your work, and the transformations of scale?*

One point is that there is a very clear geographical dimension to the recurrent cycles of material and financial expansion, but you can see this aspect only if you do not stay focused on one particular country—because then you see a totally different process. This is what most historians have been doing—they focus on a particular country, and trace developments there. Whereas in Braudel, the idea is precisely that the accumulation of capital jumps; and if you don't jump with it, if you don't follow it from place to place, you don't see it. If you stay focused on England, or on France, you miss what matters most in the development of capitalism world-historically. You have to move with it to understand that the process of capitalist development is essentially this process of jumping from one condition, where what you've termed the 'spatial fix' has become too constraining, and competition is intensifying, to another one, where a new spatial fix of greater scale and scope enables the system to experience another period of material expansion. And then of course, at a certain point the cycle repeats itself.

When I was first formulating this, inferring the patterns from Braudel and Marx, I had not yet fully appreciated your concept of spatial fix, in the double sense of the word—fixity of invested capital, and a fix *for* the previous contradictions of capitalist accumulation. There is a built-in necessity to these patterns that derives from the process of accumulation, which mobilizes money and other resources on an increasing scale, which in turn creates problems of intensifying competition and over-accumulation of various kinds. The process of capitalist accumulation of capital—as opposed to non-capitalist accumulation of capital—has this snowball effect, which intensifies competition and drives down the rate of profit. Those who are best positioned to find a new spatial fix do so, each time in a larger 'container'. From city-states, which accumulated a huge amount of capital in tiny containers, to seventeenth-century Holland, which was more than a city-state, but less than a national state, then to eighteenth- and nineteenth-century Britain, with its world-encompassing empire, and then to the twentieth-century, continent-sized United States.

Now the process cannot continue in the same way, because there is no new, larger container that can displace the United States. There are large national—in fact, civilizational—states, like China and India, which are not bigger than the United States in terms of space, but have four or five times its population. So now we are switching to a new pattern: instead of going from one container to another, spatially larger, one, we

are going from a container with a low population density to containers with high population densities. Moreover, previously it was a switch from wealthy to wealthy, in terms of countries. Now we are going from very wealthy to what are still basically poor countries—China's per capita income is still one-twentieth that of the United States. In one sense, you can say, 'Okay, now hegemony, if that's what is happening, is shifting from the rich to the poor.' But at the same time, these countries have huge internal differences and inequalities. It's all very mixed. These are contradictory tendencies, and we need to develop additional conceptual tools to understand them.

*You end Adam Smith in Beijing with the hope of a commonwealth of civilizations living on equal terms with each other, in a shared respect for the earth and its natural resources. Would you use the term 'socialism' to describe this vision, or do you regard it as outdated?*

Well, I would have no objections to it being called socialism, except that, unfortunately, socialism has been too much identified with state control of the economy. I never thought that was a good idea. I come from a country where the state is despised and in many ways distrusted. The identification of socialism with the state creates big problems. So, if this world-system was going to be called socialist, it would need to be redefined in terms of a mutual respect between humans and a collective respect for nature. But this may have to be organized through state-regulated market exchanges, so as to empower labour and disempower capital in Smithian fashion, rather than through state ownership and control of the means of production. The problem with the term socialism is that it's been abused in many different ways, and therefore also discredited. If you ask me what would be a better term, I've no idea—I think we should look for one. You are very good at finding new expressions, so you should come up with some suggestions.

*Okay, I'll have to work on that one.*

Yes, you have to work on a substitute for the term 'socialist' that disentangles it from the historical identification with the state, and brings it closer to the idea of greater equality and mutual respect. So, I'll leave that task to you!



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## FEMINISM, CAPITALISM AND THE CUNNING OF HISTORY

I WOULD LIKE HERE to take a broad look at second-wave feminism. Not at this or that activist current, nor this or that strand of feminist theorizing; not this or that geographical slice of the movement, nor this or that sociological stratum of women. I want, rather, to try to see second-wave feminism whole, as an epochal social phenomenon. Looking back at nearly forty years of feminist activism, I want to venture an assessment of the movement's overall trajectory and historical significance. In looking back, however, I hope also to help us look forward. By reconstructing the path we have travelled, I hope to shed light on the challenges we face today—in a time of massive economic crisis, social uncertainty and political realignment.<sup>1</sup>

I am going to tell a story, then, about the broad contours and overall meaning of second-wave feminism. Equal parts historical narrative and social-theoretical analysis, my story is plotted around three points in time, each of which places second-wave feminism in relation to a specific moment in the history of capitalism. The first point refers to the movement's beginnings in the context of what I will call 'state-organized capitalism'. Here I propose to chart the emergence of second-wave feminism from the anti-imperialist New Left, as a radical challenge to the pervasive androcentrism of state-led capitalist societies in the postwar era. Conceptualizing this phase, I shall identify the movement's fundamental emancipatory promise with its expanded sense of injustice and its structural critique of society. The second point refers to the process of feminism's evolution in the dramatically changed social context of rising neoliberalism. Here, I propose to chart not only the movement's extraordinary successes but also the disturbing convergence of some of

its ideals with the demands of an emerging new form of capitalism—post-Fordist, ‘disorganized’, transnational. Conceptualizing this phase, I shall ask whether second-wave feminism has unwittingly supplied a key ingredient of what Luc Boltanski and Ève Chiapello call ‘the new spirit of capitalism’. The third point refers to a possible reorientation of feminism in the present context of capitalist crisis and US political realignment, which could mark the beginnings of a shift from neoliberalism to a new form of social organization. Here, I propose to examine the prospects for reactivating feminism’s emancipatory promise in a world that has been rocked by the twin crises of finance capital and US hegemony, and that now awaits the unfolding of Barack Obama’s presidency.

In general, then, I propose to situate the trajectory of second-wave feminism in relation to the recent history of capitalism. In this way, I hope to help revive the sort of socialist-feminist theorizing that first inspired me decades ago and that still seems to offer our best hope for clarifying the prospects for gender justice in the present period. My aim, however, is not to recycle outmoded dual-systems theories, but rather to integrate the best of recent feminist theorizing with the best of recent critical theorizing about capitalism.

To clarify the rationale behind this approach, let me explain my dissatisfaction with what is perhaps the most widely held view of second-wave feminism. It is often said that the movement’s relative success in transforming culture stands in sharp contrast with its relative failure to transform institutions. This assessment is doubled-edged: on the one hand, feminist ideals of gender equality, so contentious in the preceding decades, now sit squarely in the social mainstream; on the other hand, they have yet to be realized in practice. Thus, feminist critiques of, for example, sexual harassment, sexual trafficking and unequal pay, which appeared incendiary not so long ago, are widely espoused today; yet this sea-change at the level of attitudes has by no means eliminated those practices. And so, it is frequently argued: second-wave feminism has

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<sup>1</sup> This essay originated as a keynote lecture presented at the Cortona Colloquium on ‘Gender and Citizenship: New and Old Dilemmas, Between Equality and Difference’ in November 2008. For helpful comments, I thank the Cortona participants, especially Bianca Becalli, Jane Mansbridge, Ruth Milkman and Eli Zaretsky, and the participants in an EHES seminar at the Groupe de sociologie politique et morale, especially Luc Boltanski, Estelle Ferrarese, Sandra Laugier, Patricia Paperman and Laurent Thévenot.

wrought an epochal cultural revolution, but the vast change in *mentalités* has not (yet) translated into structural, institutional change.

There is something to be said for this view, which rightly notes the widespread acceptance today of feminist ideas. But the thesis of cultural success-cum-institutional failure does not go very far in illuminating the historical significance and future prospects of second-wave feminism. Positing that institutions have lagged behind culture, as if one could change while the other did not, it suggests that we need only make the former catch up with the latter in order to realize feminist hopes. The effect is to obscure a more complex, disturbing possibility: that the diffusion of cultural attitudes born out of the second wave has been part and parcel of another social transformation, unanticipated and unintended by feminist activists—a transformation in the social organization of postwar capitalism. This possibility can be formulated more sharply: the cultural changes jump-started by the second wave, salutary in themselves, have served to legitimate a structural transformation of capitalist society that runs directly counter to feminist visions of a just society.

In this essay, I aim to explore this disturbing possibility. My hypothesis can be stated thus: what was truly new about the second wave was the way it wove together, in a critique of androcentric state-organized capitalism, three analytically distinct dimensions of gender injustice: economic, cultural and political. Subjecting state-organized capitalism to wide-ranging, multifaceted scrutiny, in which those three perspectives intermingled freely, feminists generated a critique that was simultaneously ramified and systematic. In the ensuing decades, however, the three dimensions of injustice became separated, both from one another and from the critique of capitalism. With the fragmentation of the feminist critique came the selective incorporation and partial recuperation of some of its strands. Split off from one another and from the societal critique that had integrated them, second-wave hopes were conscripted in the service of a project that was deeply at odds with our larger, holistic vision of a just society. In a fine instance of the cunning of history, utopian desires found a second life as feeling currents that legitimated the transition to a new form of capitalism: post-Fordist, transnational, neoliberal.

In what follows, I propose to elaborate this hypothesis in three steps, which correspond to the three plot points mentioned earlier. In a first step, I shall reconstruct the second-wave feminist critique of androcentric

state-organized capitalism as integrating concerns with three perspectives on justice—redistribution, recognition and representation. In a second step, I shall sketch the coming apart of that constellation and the selective enlistment of some of its strands to legitimate neoliberal capitalism. In a third, I shall weigh the prospects for recovering feminism's emancipatory promise in the present moment of economic crisis and political opening.

# I. FEMINISM AND STATE-ORGANIZED CAPITALISM

Let me begin by situating the emergence of second-wave feminism in the context of state-organized capitalism. By 'state-organized capitalism', I mean the hegemonic social formation in the postwar era, a social formation in which states played an active role in steering their national economies.<sup>2</sup> We are most familiar with the form taken by state-organized capitalism in the welfare states of what was then called the First World, which used Keynesian tools to soften the boom–bust cycles endemic to capitalism. Drawing on the experiences of the Depression and war-time planning, these states implemented various forms of *dirigisme*, including infrastructural investment, industrial policy, redistributive taxation, social provision, business regulation, nationalization of some key industries and decommodification of public goods. Although it was the most wealthy and powerful OECD states that were able to 'organize' capitalism most successfully in the decades following 1945, a variant of state-organized capitalism could also be found in what was then termed the Third World. In impoverished ex-colonies, newly independent 'developmental states' sought to use their more limited capacities to jump-start national economic growth by means of import-substitution policies, infrastructural investment, nationalization of key industries and public spending on education.<sup>3</sup>

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<sup>2</sup> For a discussion of this term, see Friedrich Pollock, 'State Capitalism: Its Possibilities and Limitations', in Andrew Arato and Eike Gebhardt, eds, *The Essential Frankfurt School Reader*, London 1982, pp. 71–94.

<sup>3</sup> Then, too, economic life in the Communist bloc was notoriously state-organized, and there are those who would still insist on calling it state-organized capitalism. Although there may be some truth in that view, I will follow the more conventional path of excluding the region from this first moment of my story, in part because it was not until after 1989 that second-wave feminism emerged as a political force in what were by then ex-Communist countries.

In general, then, I use this expression to refer to the OECD welfare states and the ex-colonial developmental states of the postwar period. It was in these countries, after all, that second-wave feminism first erupted in the early 1970s. To explain what exactly provoked the eruption, let me note four defining characteristics of the political culture of state-organized capitalism:

- ▶ *Economism.* By definition, state-organized capitalism involved the use of public political power to regulate (and in some cases, to replace) economic markets. This was largely a matter of crisis management in the interest of capital. Nevertheless, the states in question derived much of their political legitimacy from their claims to promote inclusion, social equality and cross-class solidarity. Yet these ideals were interpreted in an economistic and class-centric way. In the political culture of state-organized capitalism, social questions were framed chiefly in distributive terms, as matters concerning the equitable allocation of divisible goods, especially income and jobs, while social divisions were viewed primarily through the prism of class. Thus, the quintessential social injustice was unfair economic distribution, and its paradigm expression was class inequality. The effect of this class-centric, economistic imaginary was to marginalize, if not wholly to obscure, other dimensions, sites and axes of injustice.
  
- ▶ *Androcentrism.* It followed that the political culture of state-organized capitalism envisioned the ideal-typical citizen as an ethnic-majority male worker—a breadwinner and a family man. It was widely assumed, too, that this worker's wage should be the principal, if not the sole, economic support of his family, while any wages earned by his wife should be merely supplemental. Deeply gendered, this 'family wage' construct served both as a social ideal, connoting modernity and upward mobility, and as the basis for state policy in matters of employment, welfare and development. Granted, the ideal eluded most families, as a man's wage was rarely by itself sufficient to support children and a non-employed wife. And granted, too, the Fordist industry to which the ideal was linked was soon to be dwarfed by a burgeoning low-wage service sector. But in the 1950s and 1960s, the family-wage ideal still served to define gender norms and to discipline those who would contravene them, reinforcing men's authority

in households and channelling aspirations into privatized domestic consumption. Equally important, by valorizing waged work, the political culture of state-organized capitalism obscured the social importance of unwaged care work and reproductive labour. Institutionalizing androcentric understandings of family and work, it naturalized injustices of gender and removed them from political contestation.

- *Étatism*. State-organized capitalism was also étatist, suffused with a technocratic, managerial ethos. Relying on professional experts to design policies, and on bureaucratic organizations to implement them, welfare and developmental states treated those whom they ostensibly served more as clients, consumers and taxpayers than as active citizens. The result was a depoliticized culture, which treated questions of justice as technical matters, to be settled by expert calculation or corporatist bargaining. Far from being empowered to interpret their needs democratically, via political deliberation and contestation, ordinary citizens were positioned (at best) as passive recipients of satisfactions defined and dispensed from on high.
- *Westphalianism*. Finally, state-organized capitalism was, by definition, a national formation, aimed at mobilizing the capacities of nation-states to support national economic development in the name—if not always in the interest—of the national citizenry. Made possible by the Bretton Woods regulatory framework, this formation rested on a division of political space into territorially bounded polities. As a result, the political culture of state-organized capitalism institutionalized the ‘Westphalian’ view that binding obligations of justice apply only among fellow citizens. Subtending the lion’s share of social struggle in the post-war era, this view channelled claims for justice into the domestic political arenas of territorial states. The effect, notwithstanding lip-service to international human rights and anti-imperialist solidarity, was to truncate the scope of justice, marginalizing, if not wholly obscuring, cross-border injustices.<sup>4</sup>

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<sup>4</sup> For a fuller account of the ‘Westphalian political imaginary’, see Fraser, ‘Reframing Justice in a Globalizing World’, NLR 36, November–December 2005.

In general, then, the political culture of state-organized capitalism was economistic, androcentric, étatist and Westphalian—all characteristics that came under attack in the late 1960s and 1970s. In those years of explosive radicalism, second-wave feminists joined their New Left and anti-imperialist counterparts in challenging the economism, the étatism, and (to a lesser degree) the Westphalianism of state-organized capitalism, while also contesting the latter's androcentrism—and with it, the sexism of their comrades and allies. Let us consider these points one by one.

- *Second-wave feminism contra economism.* Rejecting the exclusive identification of injustice with class maldistribution, second-wave feminists joined other emancipatory movements to burst open the restrictive, economistic imaginary of state-organized capitalism. Politicizing 'the personal', they expanded the meaning of justice, reinterpreting as injustices social inequalities that had been overlooked, tolerated or rationalized since time immemorial. Rejecting both Marxism's exclusive focus on political economy and liberalism's exclusive focus on law, they unveiled injustices located elsewhere—in the family and in cultural traditions, in civil society and in everyday life. In addition, second-wave feminists expanded the number of axes that could harbour injustice. Rejecting the primacy of class, socialist-feminists, black feminists and anti-imperialist feminists also opposed radical-feminist efforts to install gender in that same position of categorial privilege. Focusing not only on gender, but also on class, race, sexuality and nationality, they pioneered an 'intersectionist' alternative that is widely accepted today. Finally, second-wave feminists extended the purview of justice to take in such previously private matters as sexuality, housework, reproduction and violence against women. In so doing, they effectively broadened the concept of injustice to encompass not only economic inequalities but also hierarchies of status and asymmetries of political power. With the benefit of hindsight, we can say that they replaced a monistic, economistic view of justice with a broader three-dimensional understanding, encompassing economy, culture and politics.

The result was no mere laundry list of single issues. On the contrary, what connected the plethora of newly discovered injustices was the notion that women's subordination was systemic, grounded in the deep structures of society. Second-wave



feminists argued, of course, about how best to characterize the social totality—whether as ‘patriarchy’, as a ‘dual-systems’ amalgam of capitalism and patriarchy, as an imperialist world system, or, in my own preferred view, as a historically specific, androcentric form of state-organized capitalist society, structured by three interpenetrating orders of subordination: (mal)distribution, (mis)recognition and (mis)representation. But despite such differences, most second-wave feminists—with the notable exception of liberal-feminists—concurred that overcoming women’s subordination required radical transformation of the deep structures of the social totality. This shared commitment to systemic transformation betokened the movement’s origins in the broader emancipatory ferment of the times.

- *Second-wave feminism contra androcentrism.* If second-wave feminism partook of the general aura of 1960s radicalism, it nevertheless stood in a tense relation with other emancipatory movements. Its chief target, after all, was the *gender* injustice of state-organized capitalism, hardly a priority for non-feminist anti-imperialists and New Leftists. In mounting their critique of state-organized capitalism’s androcentrism, moreover, second-wave feminists had also to confront sexism within the Left. For liberal and radical feminists, this posed no special problem; they could simply turn separatist and exit the Left. For socialist-feminists, anti-imperialist feminists and feminists of colour, in contrast, the difficulty was to confront sexism within the Left while remaining part of it.

For a time, at least, socialist-feminists succeeded in maintaining that difficult balance. They located the core of androcentrism in a gender division of labour which systematically devalued activities, both paid and unpaid, that were performed by or associated with women. Applying this analysis to state-organized capitalism, they uncovered the deep-structural connections between women’s responsibility for the lion’s share of unpaid caregiving, their subordination in marriage and personal life, the gender segmentation of labour markets, men’s domination of the political system, and the androcentrism of welfare provision, industrial policy and development schemes. In effect, they exposed the family wage as the point where gender maldistribution, misrecognition and

misrepresentation converged. The result was a critique that integrated economy, culture and politics in a systematic account of women's subordination in state-organized capitalism. Far from aiming simply to promote women's full incorporation as wage-earners in capitalist society, second-wave feminists sought to transform the system's deep structures and animating values—in part by decentring wage work and valorizing unwaged activities, especially the socially necessary carework performed by women.

- *Second-wave feminism contra étatism.* But feminists' objections to state-organized capitalism were as much concerned with process as with substance. Like their New Left allies, they rejected the bureaucratic-managerial ethos of state-organized capitalism. To the widespread 1960s critique of Fordist organization they added a gender analysis, interpreting the culture of large-scale, top-down institutions as expressing the modernized masculinity of the professional-managerial stratum of state-organized capitalism. Developing a horizontal counter-ethos of sisterly connection, second-wave feminists created the entirely new organizational practice of consciousness-raising. Seeking to bridge the sharp étatist divide between theory and practice, they styled themselves as a countercultural democratizing movement—anti-hierarchical, participatory and demotic. In an era when the acronym 'NGO' did not yet exist, feminist academics, lawyers and social workers identified more with the grass roots than with the reigning professional ethos of depoliticized expertise.

But unlike some of their countercultural comrades, most feminists did not reject state institutions *simpliciter*. Seeking, rather, to infuse the latter with feminist values, they envisioned a participatory-democratic state that empowered its citizens. Effectively re-imagining the relation between state and society, they sought to transform those positioned as passive objects of welfare and development policy into active subjects, empowered to participate in democratic processes of need interpretation. The goal, accordingly, was less to dismantle state institutions than to transform them into agencies that would promote, and indeed express, gender justice.

- *Second-wave feminism contra and pro Westphalianism.* More ambivalent, perhaps, was feminism's relation to the Westphalian dimension of state-organized capitalism. Given its origins in the global anti-Vietnam War ferment of the time, the movement was clearly disposed to be sensitive to trans-border injustices. This was especially the case for feminists in the developing world, whose gender critique was interwoven with a critique of imperialism. But there, as elsewhere, most feminists viewed their respective states as the principal addressees of their demands. Thus, second-wave feminists tended to reinscribe the Westphalian frame at the level of practice, even when they criticized it at the level of theory. That frame, which divided the world into bounded territorial polities, remained the default option in an era when states still seemed to possess the requisite capacities for social steering and when the technology enabling real-time transnational networking was not yet available. In the context of state-organized capitalism, then, the slogan 'sisterhood is global' (itself already contested as imperializing) functioned more as an abstract gesture than as a post-Westphalian political project that could be practically pursued.

In general, second-wave feminism remained ambivalently Westphalian, even as it rejected the economism, androcentrism and étatism of state-organized capitalism. On all those issues, however, it manifested considerable nuance. In rejecting economism, the feminists of this period never doubted the centrality of distributive justice and the critique of political economy to the project of women's emancipation. Far from wanting to minimize the economic dimension of gender injustice, they sought, rather, to deepen it, by clarifying its relation with the two additional dimensions of culture and politics. Likewise, in rejecting the androcentrism of the family wage, second-wave feminists never sought simply to replace it with the two-earner family. For them, overcoming gender injustice meant ending the systematic devaluation of caregiving and the gender division of labour, both paid and unpaid. Finally, in rejecting the étatism of state-organized capitalism, second-wave feminists never doubted the need for strong political institutions capable of organizing economic life in the service of justice. Far from wanting to free markets from state control, they sought rather to democratize state power, to maximize citizen participation, to strengthen accountability, and to increase communicative flows between state and society.

All told, second-wave feminism espoused a transformative political project, premised on an expanded understanding of injustice and a systemic critique of capitalist society. The movement's most advanced currents saw their struggles as multi-dimensional, aimed simultaneously against economic exploitation, status hierarchy and political subjection. To them, moreover, feminism appeared as part of a broader emancipatory project, in which struggles against gender injustices were necessarily linked to struggles against racism, imperialism, homophobia and class domination, all of which required transformation of the deep structures of capitalist society.

## II. FEMINISM AND THE 'NEW SPIRIT OF CAPITALISM'

As it turned out, that project remained largely stillborn, a casualty of deeper historical forces, which were not well understood at the time. With the benefit of hindsight, we can now see that the rise of second-wave feminism coincided with a historical shift in the character of capitalism, from the state-organized variant just discussed to neoliberalism. Reversing the previous formula, which sought to 'use politics to tame markets', proponents of this new form of capitalism proposed to use markets to tame politics. Dismantling key elements of the Bretton Woods framework, they eliminated the capital controls that had enabled Keynesian steering of national economies. In place of *dirigisme*, they promoted privatization and deregulation; in place of public provision and social citizenship, 'trickle-down' and 'personal responsibility'; in place of the welfare and developmental states, the lean, mean 'competition state'. Road-tested in Latin America, this approach served to guide much of the transition to capitalism in East/Central Europe. Although publicly championed by Thatcher and Reagan, it was applied only gradually and unevenly in the First World. In the Third, by contrast, neoliberalization was imposed at the gunpoint of debt, as an enforced programme of 'structural adjustment' which overturned all the central tenets of developmentalism and compelled post-colonial states to divest their assets, open their markets and slash social spending.

Interestingly, second-wave feminism thrived in these new conditions. What had begun as a radical countercultural movement was now *en route* to becoming a broad-based mass social phenomenon. Attracting adherents of every class, ethnicity, nationality and political ideology, feminist

ideas found their way into every nook and cranny of social life and transformed the self-understandings of all whom they touched. The effect was not only vastly to expand the ranks of activists but also to reshape commonsense views of family, work and dignity.

Was it mere coincidence that second-wave feminism and neoliberalism prospered in tandem? Or was there some perverse, subterranean elective affinity between them? That second possibility is heretical, to be sure, but we fail to investigate it at our peril. Certainly, the rise of neoliberalism dramatically changed the terrain on which second-wave feminism operated. The effect, I shall argue here, was to resignify feminist ideals.<sup>5</sup> Aspirations that had a clear emancipatory thrust in the context of state-organized capitalism assumed a far more ambiguous meaning in the neoliberal era. With welfare and developmental states under attack from free-marketeers, feminist critiques of economism, androcentrism, étatism and Westphalianism took on a new valence. Let me clarify this dynamic of resignification by revisiting those four foci of feminist critique.

- *Feminist anti-economism resignified.* Neoliberalism's rise coincided with a major alteration in the political culture of capitalist societies. In this period, claims for justice were increasingly couched as claims for the recognition of identity and difference.<sup>6</sup> With this shift 'from redistribution to recognition' came powerful pressures to transform second-wave feminism into a variant of identity politics. A progressive variant, to be sure, but one that tended nevertheless to overextend the critique of culture, while downplaying the critique of political economy. In practice, the tendency was to subordinate social-economic struggles to struggles for recognition, while in the academy, feminist cultural theory began to eclipse feminist social theory. What had begun as a needed corrective to economism devolved in time into an equally one-sided culturalism. Thus, instead of arriving at a broader, richer paradigm that could encompass both redistribution and recognition, second-wave feminists effectively traded one truncated paradigm for another.

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<sup>5</sup> I borrow the term 'resignification' from Judith Butler, 'Contingent Foundations', in Seyla Benhabib, Judith Butler, Drucilla Cornell and Nancy Fraser, *Feminist Contentions: A Philosophical Exchange*, London 1994.

<sup>6</sup> For this change in the grammar of political claims, see Fraser, 'From Redistribution to Recognition?', NLR 1/212, July–August 1995.

The timing, moreover, could not have been worse. The turn to recognition dovetailed all too neatly with a rising neoliberalism that wanted nothing more than to repress all memory of social egalitarianism. Thus, feminists absolutized the critique of culture at precisely the moment when circumstances required redoubled attention to the critique of political economy. As the critique splintered, moreover, the cultural strand became decoupled not only from the economic strand, but also from the critique of capitalism that had previously integrated them. Unmoored from the critique of capitalism and made available for alternative articulations, these strands could be drawn into what Hester Eisenstein has called 'a dangerous liaison' with neoliberalism.<sup>7</sup>

- *Feminist anti-androcentrism resignified.* It was only a matter of time, therefore, before neoliberalism resignified the feminist critique of androcentrism. To explain how, I propose to adapt an argument made by Luc Boltanski and Ève Chiapello. In their important book, *The New Spirit of Capitalism*, they contend that capitalism periodically remakes itself in moments of historical rupture, in part by recuperating strands of critique directed against it.<sup>8</sup> In such moments, elements of anti-capitalist critique are resignified to legitimate an emergent new form of capitalism, which thereby becomes endowed with the higher, moral significance needed to motivate new generations to shoulder the inherently meaningless work of endless accumulation. For Boltanski and Chiapello, the new 'spirit' that has served to legitimate the flexible neoliberal capitalism of our time was fashioned from the New Left's 'artistic' critique of state-organized capitalism, which denounced the grey conformism of corporate culture. It was in the accents of May 68, they claim, that neoliberal management theorists propounded a new 'connexionist', 'project' capitalism, in which rigid organizational hierarchies would give way to horizontal teams and flexible networks, thereby liberating individual creativity. The result was a new romance of capitalism with real-world effects—a

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<sup>7</sup> Hester Eisenstein, 'A Dangerous Liaison? Feminism and Corporate Globalization', *Science and Society*, vol. 69, no. 3, 2005.

<sup>8</sup> Luc Boltanski and Ève Chiapello, *The New Spirit of Capitalism*, London 2005 [Paris 1999]. For an interpretation of psychoanalysis as the spirit of 'the second industrial revolution', which concludes by positing feminism as the spirit of the 'third', see Eli Zaretsky, 'Psychoanalysis and the Spirit of Capitalism', *Constellations*, vol. 15, no. 3, 2008.

romance that enveloped the tech start-ups of Silicon Valley and that today finds its purest expression in the ethos of Google.

Boltanski and Chiapello's argument is original and profound. Yet, because it is gender-blind, it fails to grasp the full character of the spirit of neoliberal capitalism. To be sure, that spirit includes a masculinist romance of the free, unencumbered, self-fashioning individual, which they aptly describe. But neoliberal capitalism has as much to do with Walmart, *maquiladoras* and microcredit as with Silicon Valley and Google. And its indispensable workers are disproportionately women, not only young single women, but also married women and women with children; not only racialized women, but women of virtually all nationalities and ethnicities. As such, women have poured into labour markets around the globe; the effect has been to undercut once and for all state-organized capitalism's ideal of the family wage. In 'disorganized' neoliberal capitalism, that ideal has been replaced by the norm of the two-earner family. Never mind that the reality which underlies the new ideal is depressed wage levels, decreased job security, declining living standards, a steep rise in the number of hours worked for wages per household, exacerbation of the double shift—now often a triple or quadruple shift—and a rise in female-headed households. Disorganized capitalism turns a sow's ear into a silk purse by elaborating a new romance of female advancement and gender justice.

Disturbing as it may sound, I am suggesting that second-wave feminism has unwittingly provided a key ingredient of the new spirit of neoliberalism. Our critique of the family wage now supplies a good part of the romance that invests flexible capitalism with a higher meaning and a moral point. Endowing their daily struggles with an ethical meaning, the feminist romance attracts women at both ends of the social spectrum: at one end, the female cadres of the professional middle classes, determined to crack the glass ceiling; at the other end, the female temps, part-timers, low-wage service employees, domestics, sex workers, migrants, EPZ workers and microcredit borrowers, seeking not only income and material security, but also dignity, self-betterment and liberation from traditional authority. At both ends, the dream of women's emancipation is harnessed to the engine of capitalist

accumulation. Thus, second-wave feminism's critique of the family wage has enjoyed a perverse afterlife. Once the centrepiece of a radical analysis of capitalism's androcentrism, it serves today to intensify capitalism's valorization of waged labour.

- *Feminist anti-étatism resignified.* Neoliberalism has also resignified the anti-étatism of the previous period, making it grist for schemes aimed at reducing state action *tout court*. In the new climate, it seemed but a short step from second-wave feminism's critique of welfare-state paternalism to Thatcher's critique of the nanny state. That was certainly the experience in the United States, where feminists watched helplessly as Bill Clinton triangulated their nuanced critique of a sexist and stigmatizing system of poor relief into a plan to 'end welfare as we know it', which abolished the Federal entitlement to income support. In the postcolonies, meanwhile, the critique of the developmental state's androcentrism morphed into enthusiasm for NGOs, which emerged everywhere to fill the space vacated by shrinking states. Certainly, the best of these organizations provided urgently needed material aid to populations bereft of public services. Yet the effect was often to depoliticize local groups and to skew their agendas in directions favoured by First-World funders. By its very stop-gap nature, moreover, NGO action did little to challenge the receding tide of public provision or to build political support for responsive state action.<sup>9</sup>

The explosion of microcredit illustrates the dilemma. Counterposing feminist values of empowerment and participation from below to the passivity-inducing red tape of top-down étatism, the architects of these projects have crafted an innovative synthesis of individual self-help and community networking, NGO oversight and market mechanisms—all aimed at combating women's poverty and gender subjection. The results so far include an impressive record of loan repayments and anecdotal evidence of lives transformed. What has been concealed, however, in the feminist hoopla surrounding these projects, is a disturbing coincidence:

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<sup>9</sup> Sonia Alvarez, 'Advocating Feminism: The Latin American Feminist NGO "Boom"', *International Feminist Journal of Politics*, vol. 1, no. 2, 1999; Carol Barton, 'Global Women's Movements at a Crossroads', *Socialism and Democracy*, vol. 18, no. 1, 2004.



microcredit has burgeoned just as states have abandoned macro-structural efforts to fight poverty, efforts that small-scale lending cannot possibly replace.<sup>10</sup> In this case too, the feminist critique of bureaucratic paternalism has been recuperated by neoliberalism. A perspective aimed originally at transforming state power into a vehicle of citizen empowerment and social justice is now used to legitimate marketization and state retrenchment.

- *Feminist contra and pro Westphalianism resignified.* Finally, neoliberalism altered for better and for worse second-wave feminism's ambivalent relation to the Westphalian frame. In the new context of 'globalization', it no longer goes without saying that the bounded territorial state is the sole legitimate container for obligations of, and struggles for, justice. Feminists have joined environmentalists, human-rights activists and critics of the WTO in challenging that view. Mobilizing post-Westphalian intuitions that had remained impracticable in state-organized capitalism, they have targeted trans-border injustices that had been marginalized or neglected in the previous era. Utilizing new communication technologies to establish transnational networks, feminists have pioneered innovative strategies such as the 'boomerang effect', which mobilizes global public opinion to spotlight local abuses and to shame the states that condone them.<sup>11</sup> The result was a promising new form of feminist activism—transnational, multi-scalar, post-Westphalian.

But the transnational turn brought difficulties too. Often stymied at the level of the state, many feminists directed their energies to the 'international' arena, especially to a succession of UN-related conferences, from Nairobi to Vienna to Beijing and beyond. Building a presence in 'global civil society' from which to engage new regimes of global governance, they became entangled in some of the problems I have already noted. For example, campaigns for women's human rights focused overwhelmingly on

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<sup>10</sup> Uma Narayan, 'Informal Sector Work, Microcredit and Third World Women's "Empowerment" A Critical Perspective', paper presented at the XXII World Congress of Philosophy of Law and Social Philosophy, May 2005, Granada, Eisenstein, 'A Dangerous Liaison?'.  
<sup>11</sup> Margaret Keck and Kathryn Sikkink, *Activists Beyond Borders: Advocacy Networks in International Politics*, Ithaca, NY 1998.

issues of violence and reproduction, as opposed, for example, to poverty. Ratifying the Cold War split between civil and political rights, on the one hand, and social and economic rights, on the other, these efforts, too, have privileged recognition over redistribution. In addition, these campaigns intensified the NGO-ification of feminist politics, widening the gap between professionals and local groups, while according disproportionate voice to English-speaking elites. Analogous dynamics have been operating in the feminist engagement with the policy apparatus of the European Union—especially given the absence of genuinely transnational, Europe-wide women's movements. Thus, the feminist critique of Westphalianism has proved ambivalent in the era of neoliberalism. What began as a salutary attempt to expand the scope of justice beyond the nation-state has ended up dovetailing in some respects with the administrative needs of a new form of capitalism.

In general, then, the fate of feminism in the neoliberal era presents a paradox. On the one hand, the relatively small countercultural movement of the previous period has expanded exponentially, successfully disseminating its ideas across the globe. On the other, feminist ideas have undergone a subtle shift in valence in the altered context. Unambiguously emancipatory in the era of state-organized capitalism, critiques of economism, androcentrism, *étatisme* and Westphalianism now appear fraught with ambiguity, susceptible to serving the legitimization needs of a new form of capitalism. After all, this capitalism would much prefer to confront claims for recognition over claims for redistribution, as it builds a new regime of accumulation on the cornerstone of women's waged labour, and seeks to disembell markets from social regulation in order to operate all the more freely on a global scale.

### III. AN OPEN FUTURE?

Today, however, this capitalism is itself at a critical crossroads. Certainly, the global financial crisis and the decidedly post-neoliberal response to it by leading states—all Keynesians now—mark the beginning of neoliberalism's end as an economic regime. The election of Barack Obama may signal the decisive repudiation, even in the belly of the beast, of neoliberalism as a political project. We may be seeing the early stirrings of a new wave of mobilization aimed at articulating an

alternative. Perhaps, accordingly, we stand poised at the brink of yet another 'great transformation', as massive and profound as the one I have just described.

If so, then the shape of the successor society will be the object of intense contestation in the coming period. And feminism will feature importantly in such contestation—at two different levels: first, as the social movement whose fortunes I have traced here, which will seek to ensure that the successor regime institutionalizes a commitment to gender justice. But also, second, as a general discursive construct which feminists in the first sense no longer own and do not control—an empty signifier of the good (akin, perhaps, to 'democracy'), which can and will be invoked to legitimate a variety of different scenarios, not all of which promote gender justice. An offspring of feminism in the first, social-movement sense, this second, discursive sense of 'feminism' has gone rogue. As the discourse becomes independent of the movement, the latter is increasingly confronted with a strange shadowy version of itself, an uncanny double that it can neither simply embrace nor wholly disavow.<sup>13</sup>

In this essay, I have mapped the disconcerting dance of these two feminisms in the shift from state-organized capitalism to neoliberalism. What should we conclude from it? Certainly not that second-wave feminism has failed *simpliciter*, nor that it is to blame for the triumph of neoliberalism. Surely not that feminist ideals are inherently problematic; nor that they are always already doomed to be resignified for capitalist purposes. I conclude, rather, that we for whom feminism is above all a movement for gender justice need to become more historically self-aware as we operate on a terrain that is also populated by our uncanny double.

To that end, let us return to the question: what, if anything, explains our 'dangerous liaison' with neoliberalism? Are we the victims of an unfortunate coincidence, who happened to be in the wrong place at the wrong time and so fell prey to that most opportunistic of seducers, a capitalism so indiscriminate that it would instrumentalize any perspective whatever, even one inherently foreign to it? Or is there, as I suggested earlier, some subterranean elective affinity between feminism and neoliberalism? If

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<sup>13</sup> This formula of 'feminism and its doubles' could be elaborated to good effect with respect to the 2008 US Presidential election, where the uncanny doubles included both Hillary Clinton and Sarah Palin.

any such affinity does exist, it lies in the critique of traditional authority.<sup>13</sup> Such authority is a longstanding target of feminist activism, which has sought at least since Mary Wollstonecraft to emancipate women from personalized subjection to men, be they fathers, brothers, priests, elders or husbands. But traditional authority also appears in some periods as an obstacle to capitalist expansion, part of the surrounding social substance in which markets have historically been embedded and which has served to confine economic rationality within a limited sphere.<sup>14</sup> In the current moment, these two critiques of traditional authority, the one feminist, the other neoliberal, appear to converge.

Where feminism and neoliberalism diverge, in contrast, is over post-traditional forms of gender subordination—constraints on women's lives that do not take the form of personalized subjection, but arise from structural or systemic processes in which the actions of many people are abstractly or impersonally mediated. A paradigm case is what Susan Okin has characterized as 'a cycle of socially caused and distinctly asymmetric vulnerability by marriage', in which women's traditional responsibility for child-rearing helps shape labour markets that disadvantage women, resulting in unequal power in the economic market-place, which in turn reinforces, and exacerbates, unequal power in the family.<sup>15</sup> Such market-mediated processes of subordination are the very lifeblood of neoliberal capitalism. Today, accordingly, they should become a major focus of feminist critique, as we seek to distinguish ourselves from, and to avoid resignification by, neoliberalism. The point, of course, is not to drop the struggle against traditional male authority, which remains a necessary moment of feminist critique. It is, rather, to disrupt the easy passage from such critique to its neoliberal double—above all by reconnecting struggles against personalized subjection to the critique of a capitalist system which, while promising liberation, actually replaces one mode of domination by another.

In the hope of advancing this agenda, I would like to conclude by revisiting one last time my four foci of feminist critique:

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<sup>13</sup> I owe this point to Eli Zaretsky (personal communication). Cf. Eisenstein, 'A Dangerous Liaison?'.  
<sup>14</sup> In some periods, but not always. In many contexts, capitalism is more apt to adapt to than to challenge traditional authority. For the embedding of markets, see Karl Polanyi, *The Great Transformation*, 2nd edn, Boston 2001.

<sup>15</sup> Susan Okin, *Justice, Gender and the Family*, New York 1989, p. 138.

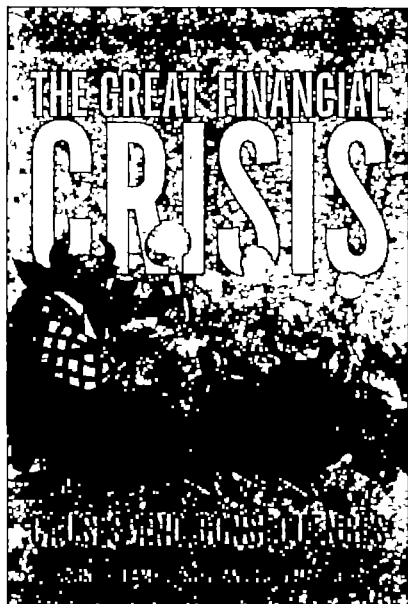
- *Post-neoliberal anti-economism.* The possible shift away from neoliberalism offers the opportunity to reactivate the emancipatory promise of second-wave feminism. Adopting a fully three-dimensional account of injustice, we might now integrate in a more balanced way the dimensions of redistribution, recognition and representation that splintered in the previous era. Grounding those indispensable aspects of feminist critique in a robust, updated sense of the social totality, we should reconnect feminist critique to the critique of capitalism—and thereby re-position feminism squarely on the Left.
- *Post-neoliberal anti-androcentrism.* Likewise, the possible shift to a post-neoliberal society offers the chance to break the spurious link between our critique of the family wage and flexible capitalism. Reclaiming our critique of androcentrism, feminists might militate for a form of life that decentres waged work and valorizes uncommodified activities, including carework. Now performed largely by women, such activities should become valued components of a good life for everyone.
- *Post-neoliberal anti-étatism.* The crisis of neoliberalism also offers the chance to break the link between our critique of étatism and marketization. Reclaiming the mantle of participatory democracy, feminists might militate now for a new organization of political power, one that subordinates bureaucratic managerialism to citizen empowerment. The point, however, is not to dissipate but to strengthen public power. Thus, the participatory democracy we seek today is one that uses politics to tame markets and to steer society in the interest of justice.
- *Post-neoliberal anti-Westphalianism.* Finally, the crisis of neoliberalism offers the chance to resolve, in a productive way, our longstanding ambivalence about the Westphalian frame. Given capital's transnational reach, the public capacities needed today cannot be lodged solely in the territorial state. Here, accordingly, the task is to break the exclusive identification of democracy with the bounded political community. Joining other progressive forces, feminists might militate for a new, post-Westphalian political order—a multi-scalar order that is democratic at every level. Combining subsidiarity with participation, the new constellation

of democratic powers should be capable of redressing injustices in every dimension, along every axis and on every scale, including trans-border injustices.

I am suggesting, then, that this is a moment in which feminists should think big. Having watched the neoliberal onslaught instrumentalize our best ideas, we have an opening now in which to reclaim them. In seizing this moment, we might just bend the arc of the impending transformation in the direction of justice—and not only with respect to gender.

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GEOFF MANN

## COLLETTI ON THE CREDIT CRUNCH

*A Response to Robin Blackburn*

**I**N A 1974 INTERVIEW with *New Left Review*, the Italian philosopher Lucio Colletti rued the chasms that had opened between the work of Marxist intellectuals in the West and the practice of workers' movements:

The only way in which Marxism can be revived is if no more books like [Colletti's] *Marxism and Hegel* are published, and instead books like Hilferding's *Finance Capital* and Luxemburg's *Accumulation of Capital*—or even Lenin's *Imperialism*, which was a popular pamphlet—are once again written. In short, either Marxism has the capacity—I certainly do not—to produce at that level, or it will survive as merely the foible of a few university professors. But in that case, it will be well and truly dead, and the professors might as well invent a new name for their clerisy.<sup>1</sup>

Robin Blackburn was an important figure on the British New Left at the time of Colletti's strictures. More than thirty years later, an emphasis on the practical possibilities for social change continues to animate his work, including his recent analysis of the credit crunch, 'The Subprime Crisis'.<sup>2</sup> Blackburn's account of the causes of the crisis—which both untangles the technical failures of the financial instruments in question, and embeds them in longer historical processes of financialization and credit-driven capitalization—is likely to be widely read. It may therefore be useful to think through his analysis to consider what else might be at stake in the credit crisis that could identify political opportunity, or complicate the regulatory mode of redistribution he recommends.



Blackburn concludes his exposition of credit-market malfunction with a social-democratic call for sound state and international financial management, focused on social wealth: 'The solution to the huge problems outlined above is not to abandon money or finance but to embed them in a properly regulated system; to progressively transform the very nature of corporations and banks in terms of both ownership and functioning; and to create a global network of social funds . . . and a global system of financial regulation.' He continues:

The actual and potential costs of the credit crunch are already huge, but they must be seen as part of a wider distemper of financialized capitalism, with its yawning inequalities, stagnant wages and loss of social protection . . . The prestige of capitalist institutions has already suffered a damaging blow and will suffer further as the crisis hurts those in the real economy. But only practical, radical and transformative actions to tackle the wrenching consequences of the crisis can ward off stiff doses of capitalist medicine, which for many will be worse than the financial malady they will be designed to cure.

Blackburn's 'practical, radical and transformative' solutions—a global network of publicly owned derivatives boards, transparency in the over-the-counter market, capital levies, even something like a 'World Financial Authority'—are well-considered, and backed by an array of commentators on financial markets, before and during the current meltdown. The realization of any of these measures would be welcome. What merits concern, however, is what falls out of his account, or is perhaps even disavowed by it: the larger categorical questions that have historically animated critique in the Marxian tradition. This is why it is worth re-engaging with Colletti's work, even, it seems, against Colletti's own wishes. For he was among the sharpest critics of what he called the 'pillars' of the Marxist 'theoretical edifice'—the analysis of value, money and capital.<sup>3</sup> These concepts are not a part of Blackburn's discussion, but they remain an essential part of the political-economic stakes.

<sup>1</sup> Lucio Colletti, 'A Political and Philosophical Interview', NLR 1/86, July–August 1974, p. 28. That these reflections were steps along a path that led Colletti, at the end of his life, to Berlusconi's Forza Italia is commonly known—and as yet curiously unexamined in English. In contrast to some well-known reactionary 'conversions' to conservatism, Colletti clearly and rigorously *thought* himself out of the Left, all the while as concerned as ever with the political implications of his intellectual practice.

<sup>2</sup> Blackburn, 'The Subprime Crisis', NLR 50, March–April 2008.

<sup>3</sup> Colletti, 'Interview', p. 21.

It is of course possible that Blackburn would agree, the 'practical' emphasis of his contribution being just one of several responses the crisis demands. But his insistence that the solution is definitely not to 'abandon money or finance' hints at an impatience with the 'impractical' sorts of questions that sometimes operate under the guise of theory. Certainly no one could accuse his work of avoiding the 'big issues'. But the current crisis opens a window on the nature of value, and on the operation of capital as a social form—begging, precisely, the categorical questions that challenge the presumed coherence of concepts like 'regulated capitalism'. We can advocate the radical institutional reconfigurations Blackburn outlines while simultaneously asking about the work of pernicious reinscription those institutions might carry out. A world beyond the rule of value remains a possibility that matters.

### *Grounding financialization*

In 1857, as a financial panic steamed across the Atlantic, Marx wrote to Engels that 'the stock exchange is the only place where my present dullness turns into elasticity and bouncing'. Blackburn's explanation of the credit crisis of 2007–09 does not communicate the same cheerfulness, but its emphasis on historico-structural movement contrasts sharply with the dominant explanations currently in circulation. These address only historically 'proximate causes': various financial practices, instruments, institutions, and the aspects of 'market psychology' that 'enabled' the asset-price bubble and make the 'crunch' so uncomfortable. Analytical energy has been focused on the technical mechanics of the crisis, on the assumption that this is where the problem lies. This is not to say that these mechanics are unimportant. Elaborate packaging of asset-backed securities and creative evasion of liquidity requirements have become fundamental to the way investment banks (and, increasingly, commercial banks) have made money; the processes of 'securitization' through which finance capital 'originates' credit-backed securities involve mystifications so marvelous Marx would have been bug-eyed.

Blackburn performs the difficult job of explaining all this with admirable clarity, and arrives—like most commentators—at a call for regulation. An important difference in his account, however, is its refusal to reduce the problem to 'moral hazard'. Instead, he interprets the credit crunch, 'the climax of a long period of gravity-defying global

imbalances and asset bubbles', as a crisis of 'financialization—otherwise put, a crisis of that venturesome "new world" of leverage, deregulation and "financial innovation".' 'In order to grasp today's capitalism we need financial analysis, but the phenomenon of financialization sucks oxygen from the atmosphere'.<sup>4</sup> It is this emphasis on the processes of financialization—which, as Blackburn notes, are not only twenty-first-century phenomena—that suggests these mechanisms are usefully understood as part of a crisis in the value-form of capital. Arguably, if paradoxically, these processes operate value in more 'transparent' ways than ever before. There is no need, in the financialized world Blackburn describes, to make the 'mortal leap' from commodity to money (C-M). Finance capital comes on stage after the leap has been made. By the time its role is important, it is all money: M'-M''-M'''.

Refocusing some attention on the problem of value can help us understand the deeper dynamics that continue to serve as the ground upon which capital moves. The first thing it suggests is that perhaps the most common critique of financialization and the realm of finance capital is a dead-end. This idea—to which Blackburn never succumbs—is that they are not based in 'reality', that they rest on 'imaginary' or 'fictional' commodities, capital or values. We are told these values do not 'really' exist as value; like Wile E. Coyote, when it becomes apparent they are running in mid-air, they will plummet to the ground. But if we try to examine the workings of securitization and financial capital on the terms of the value-form, these claims are analytically inadequate. Finance capital does not imagine these values into existence; securities, as values, are as real as any value ever is. Marx writes in the *Grundrisse* that value is 'generic existence', while the real commodity is 'particular or specific existence'. 'Value', he says, 'is a *separate form of existence which [accompanies] the commodity itself*'; as such, 'money is the form into which all commodities dissolve themselves; that which dissolves itself into all commodities'.<sup>5</sup>

### *Real abstraction*

For his part, Colletti emphasizes that the key process here is not imagination, nor fictionalization, but abstraction: the abstraction of commodities into exchange-values happens first 'in the head and in

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<sup>4</sup> Blackburn, 'Subprime Crisis', pp. 65, 91.    <sup>5</sup> *Grundrisse*, London 1973, pp. 141-2.

speech', since relations 'in general' 'can be established as existing only by being *thought*'. He reminds us that Marx uses the term 'abstraction' in two senses: 'as totality or mental *generalization*, and as one aspect or analytic feature of the *particular* object under consideration'; in other words, 'as abstraction from the point of view of logic and as abstraction from the point of view of reality'.<sup>6</sup>

The abstraction at work in the operation of finance capital is very much like that at work in the analysis of the bourgeois economists Marx targeted: the substitution of the generic for the specific or determinate. Finance capital 'mystifies', but that is not synonymous with 'fabricates' or 'fictionalizes'; 'metaphysical subtleties and theological niceties', as Marx said, are what a commodity is 'in reality'. The work of finance capital, in processes like securitization, in no way violates or overcomes conditions in the real world. As with Marx's famous metaphor for Hegel's philosophy, that it is 'upside down', and must be placed upon its feet, we can say that finance capital operates 'successfully': that logic has been substituted for reality by capital is not a flaw, but a 'true' vision of an 'upside-down' world. 'What is upside down is not Hegel's image of reality, but the very reality it tries to reflect.' Marx's critique of capital's mystification, and of economists' analytical fortifications, is not that it is a 'lie', or that it expresses a fiction. Far from it. His critique is that mystification is the very mode of being of capital; the 'fog of financialization' has historical precedent. Bourgeois economists give us an analysis that 'connives with and repeats' the 'inverted logic' of the 'upside-down world' capital produces.<sup>7</sup>

In so doing, capital, in this case finance capital, abstracts 'from the point of view of logic', operating in the 'generic', 'along-side' world of value, and then 'hypostatizes', or embodies, that abstraction. The moment of unity or equivalence achieved in value *must* be abstract. And the hypostatization of value—upon which we build a real world, in which securities are as real as anything else—is the crucial dynamic of modern capitalism. In this inverted reality, 'paradox reigns'. Private property, as Colletti pointed out, 'is consecrated in the name of a universal principle':

The general will is invoked in order to confer absolute value on individual caprice; society is invoked in order to render asocial interests sacred and

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<sup>6</sup> Colletti, *Marxism and Hegel*, London 1973, p. 123.

<sup>7</sup> Colletti, 'Introduction', in Karl Marx, *Early Writings*, London 1975, p. 33.

intangible; the cause of equality among men is defended, so that the cause of inequality among men (private property) can be acknowledged as fundamental and absolute. Everything is upside down.<sup>8</sup>

The process underlying the theory of value, Colletti goes on, 'is a process of *real abstraction*, something which actually goes on in reality itself. Useful or concrete work is transformed into the abstraction of 'equal or abstract human labour', and 'use-value' into the abstraction of 'exchange-value': 'This is not a generalizing operation performed by thinkers, but something occurring within the machinery of the social order, in reality.'

The idea that value is a mere convenient fiction ironically resonates not with Marx's critique, but with one of the principal orthodox critiques of his theory of value—that he never understood that value is only 'relative', that there is no such thing as real or absolute value (Schumpeter, Robinson, Sraffa, Myrdal, Samuelson, etc.). Marx's conviction that there is indeed real, if non-material value, was an important part of his critique of Ricardo and Bailey. The 'perverted appearance' of social labour within the commodity form is a 'mystification', but it is 'prosaically real, and by no means imaginary'.<sup>9</sup> Value is really abstracted from the world of living labour in the operation of capital as process—a 'process whereby *forces alienated and estranged* from mankind become present and real'.<sup>10</sup> That is how capital accumulates as capital. Yet that accumulation, rendered possible by the force of abstraction, is by no means unreal. How else, for example, could the problem of 'liquidity' arise? The current liquidity crisis is not, primarily, a crisis of quantity—in absolute terms there is no lack of funds. On the contrary, it is a crisis of quality for finance capital: the problem is not too little liquidity *qua* cash, but too little liquidity *qua* cash-ness; a crisis not of the subject, but of the predicate.

### *Capital's time and space*

Financial instruments such as asset-backed securities (ABSS) begin their life in the abstraction of value—even if it can be hard to trace their M' back to some C (or their S back to some A)—in a no less real way than in the sphere of what we might call 'material' production and exchange.

<sup>8</sup> Colletti, 'Introduction', pp. 36–7.

<sup>9</sup> Karl Marx, *Contribution to the Critique of Political Economy*, Moscow 1959, p. 51.

<sup>10</sup> Colletti, *Marxism and Hegel*, p. 271.

Securitization, structuring and tranching, debt or credit obligations—these abstractions are as real as real can be in our ‘upside-down’ world. One of their fundamental abstractions is geographical: the substitution of logical time and space for specific time and space. It is not that finance capital has ‘superseded’ geography. Instead, it has abstracted the geography of capital from the geography of labour, and rendered labour conditional upon it. The scalar innovation performed by the construction of the ‘global marketplace’, for example, is far from illusory. On the contrary, it represents an abstracted spatiality whose power resides in the fact that it is not somewhere in particular, nor is it merely an aggregate of all the ‘somewheres’ that constitute the market. Indeed, geographers have struggled, and failed, to specify that space as anything other than ‘extralocal’.<sup>11</sup> In this abstract geography, capital’s immeasurable advantage, and labour’s structural subordination, are perfectly captured by the very real problem of ‘factor mobility’.

So what an analysis of value can tell us is that, in capitalism, it is not that the abstracted time and space of capital is ‘really’ determined by the geography of living labour, if only we could see it. In the world of capital, living labour is a condition of abstracted time and space, of value. This is why when the geography of capital is in crisis, so are we, down here in the land of ‘living labour’. If it were mere fiction, then we would need to worry considerably less. Regulation might suffice. Liberalism might work.

This also suggests that the criticism often levelled against economics by radical political economy—that it ignores space—is inaccurate. Economics does not ignore space or time; it abstracts from them, creating a world of economic unity in geographical difference. Take the following, from Gerard Debreu’s seminal *Theory of Value*, perhaps the founding text of neoclassical general-equilibrium theory:

The concept of a commodity can now be introduced by means of examples. The simplest is that of an economic *good* like wheat; it will be discussed in detail. There are indeed many kinds of wheat, and to have a well-defined good one must describe completely the wheat about which one is talking, and specify in particular its grade, e.g. No. 2 Red Winter Wheat. Furthermore wheat available now and wheat available in a week play entirely different

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<sup>11</sup> Jamie Peck and Adam Tickell, ‘Neoliberalizing Space’, *Antipode*, vol. 34, no. 3, July 2002.

economic roles for a flour mill which is to use them. Thus a good at a certain date and the same good at a later date are *different* economic objects, and the specification of the date at which it will be available is *essential*. Finally, wheat available in Minneapolis and wheat available in Chicago play also entirely different economic roles for a flour mill which is to use them. Again, a good at a certain location and the same good at another location are *different* economic objects, and the specification of the location at which it will be available is *essential*.<sup>12</sup>

This framing poses some acute theoretical and political challenges, for the unity in difference of economists like Debreu is, according to Colletti, precisely the logic of Hegel's bourgeois world.

### *Practical transformations?*

There remains the question of an adequate analysis and response to the crisis of capital presently unfolding. Blackburn points out, 'it is worth recalling that financialization was born in a quite heavily regulated world'.<sup>13</sup> Moreover, the shadow banking system is concrete evidence of a 'pervasive regulatory problem that dominates the world economy today: any nation's financial controls appear to be made for the sole purpose of being evaded'.<sup>14</sup> Marx's answer to the 'will regulation be enough?' question was unequivocal. Even if we overlook the way in which 'regulation' has thus far played out—i.e. state and international institutions rushing to the aid of financiers the world over with Temporary Lending Facilities, billions in bargain-priced liquidity and sugar-coated bank nationalizations by-another-name—the essence of Marx's critique is that regulation cannot be enough. That was his reason for bouncing at the stock exchange. Turning over our upside-down world requires not the taming or grounding or redistribution of value, but its destruction. The overthrow of capital's rule is literally the only way out.

In short, it is the acceptance of the necessity, not the inevitability, of revolution that makes a Marxist adequate to Marx's analysis. Blackburn clearly disagrees, or at least believes much work must be done before we need ponder a call to the barricades. Indeed, he writes that 'we should not expect a generalized rejection of all options and derivatives';

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<sup>12</sup> Gerard Debreu, *Theory of Value*, New Haven 1959, pp. 29–30.

<sup>13</sup> Blackburn, 'Subprime Crisis', p. 92.

<sup>14</sup> Lance Taylor, *Reconstructing Macroeconomics*, Cambridge 2004, p. 263.

the “shadow” banking system must be brought under control and new principles observed by all those who offer derivatives for sale. The latter are a product of human ingenuity and should not be feared as an alien force’.<sup>15</sup> He may be right; perhaps that is all we can expect or hope for. There is some evidence that future financial regulatory regimes will have more power than at present, perhaps even at the international level. The Financial Stability Forum’s recommendations, based on an orthodox diagnosis of the crisis, contain weaker versions of some of Blackburn’s suggestions, notably in accountancy; and Timothy Geithner, the new US Treasury Secretary, has called for a globally ‘unified framework that provides a stronger form of consolidated supervision, with appropriate requirements for capital and liquidity’.<sup>16</sup> None of these mainstream analyses, of course, put socialized finance and redistribution front and centre, as Blackburn does.

What he does seem to share with the mainstream, though, is an impatience with the kinds of questions that Colletti, and Marx, were more than willing to consider at length. Can finance survive in a new world? Can money? The analytics that enabled Colletti, *avant la lettre*, to see into the fog of financialization are precisely those that put these categorical questions on the table, demanding that we examine the value–money–capital triad in a manner that takes none of its elements as ‘given’. Such analysis is essential to the intellectual work of the left. This is certainly not to say that it must be prior to, or is more important than, the work Blackburn and others continue to do, but it is not clear whether or not it falls under his rubric of ‘practical, radical and transformative actions’. It should. Certainly Blackburn would agree that the future should not be determined by the derivative contract that unfortunately shares its name.

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<sup>15</sup> Blackburn, ‘Subprime Crisis’, pp. 92, 106.

<sup>16</sup> Financial Stability Forum, *Report of the Financial Stability Forum on Enhancing Market and Institutional Resilience*, Rome, 8 April 2008; Timothy Geithner, ‘We Can Reduce Risk in the Financial System’, *Financial Times*, 8 June 2008.



ROBIN BLACKBURN

## VALUE THEORY AND THE CHINESE WORKER

*A Reply to Geoff Mann*

GEOFF MANN RAISES some vital issues in this comment, and notwithstanding his generous characterization of my argument in 'The Subprime Crisis', on some important points he actually misconstrues it.<sup>1</sup> I agree with him, firstly, that value theory, properly understood, supplies an essential conceptual framework for analysing the crisis; and, secondly, contrary to what he suggests, I do not think that regulation alone has any hope of providing a solution. While the measures that I very briefly referenced in the last few paragraphs of my article were far from fully socialist, nor were they simply aimed at rescuing capitalism. I prefer to put them in the framework of transitional measures that address the deep crisis in effective ways—reviving credit by specific acts of expropriation which would benefit new collective and democratic institutions, in the shape of a network of social funds. By itself such a network does not suppress capitalism; yet it aims to use capitalist property forms in order to transcend them and socialize capital.

I placed my account in the context of the trenchant analyses of the bubble economics of the global imbalances published in these pages (and in their recent books) by Robert Brenner, Andrew Glyn and Giovanni Arrighi. This dialogic body of work, with its agreements and differences, directly engages the world-economic conjuncture but, while clearly Marxisant in inspiration, it is not couched in value-theory terms. However it is not difficult to suggest ways in which there is a

value-scaffolding to their arguments. I have also found the conceptual elaborations of value offered by Kojin Karatani and Slavoj Žižek, and of 'fictitious capital' by David Harvey, very helpful in grasping the extraordinary crisis we now confront.<sup>1</sup> Karatani and Žižek have reminded us that the value of commodities is ultimately determined by the amount of 'socially necessary' labour time that they embody. Žižek urges that we should constantly bear in mind the determination of value by the double optic of production and consumption—what he calls the 'parallax view'. As I understand it, they are making the simple but vital point that labour time expended upon a product is not valorized as 'socially useful' until a sale occurs. Karatani has been very clear that this requires that we do not imagine the 'point of production' as some self-sufficient realm. It also underlines that exploitation takes time and that some capitalists seek to anticipate its results. Thus capitalist investment necessarily has a 'fictitious' character, rooted in hopes and anticipations until such time as surplus-value is actually realized and the new commodities resulting from the investment are sold. The value of shares is itself no more than the discounted present value of future profits. While the psychology of capitalists can create visions of profit from the most flawed and unlikely scenarios, in the end they will be exposed if they cannot generate the real article. The great unevenness, the inequalities and uncertainties that result from capitalist accumulation will themselves prick the bubble, and the resulting crisis brings about a destruction of fictitious value—which, if allowed to go ahead, may clear the way for a new round.

Certainly the current crisis has dramatized as never before that the awesome inequalities generated by capitalism will themselves fatally sabotage the accumulation process. Indeed if we allow ourselves some salutary 'crude thinking' (I mean Brecht's *plumpes Denken*) we see that the root cause of the crisis was, quite simply, poverty. If Chinese direct producers had been better paid they would have furnished a larger and growing market, in ways that would have benefited the PRC's trading partners. While I made a brief reference to this in 'The Subprime Crisis', the argument is developed very effectively by Graham Turner in *The Credit Crunch*.<sup>2</sup> This author makes no reference to Marx's value theory,

<sup>1</sup> See Geoff Mann, 'Colletti on the Credit Crunch', *NLR* 56, commenting on Blackburn, 'The Subprime Crisis', *NLR* 50, March–April 2008. For more details on these measures see my *Age Shock*, London 2007, and *NLR*s 34 and 47.

<sup>2</sup> See Žižek's excellent article, 'The Parallax View', *NLR* 25, Jan–Feb 2004, itself in large part an extended review of Karatani's *Transcritique*.

<sup>3</sup> Graham Turner, *The Credit Crunch*, London 2008, p. x.

but it takes very little elaboration to cast his argument and evidence as one relating to super-exploitation and the eventual difficulty of realizing surplus-value.

While the move from 'subprime crisis' to full-scale 'credit crunch' has involved many speculative processes, the crisis itself could best be solved by starting with measures that address the poverty which generated the defaults and imbalances. The US Treasury and Federal Reserve have shovelled trillions of dollars into the stricken financial system with precious little to show for it. If instead this money, or a serious chunk of it, had initially been used to help subprime mortgagees pay off their mortgages—a 'bail out from below'—the result would have been dramatic. The mortgage brokers and banks would have been back in business, and the new home-owners would have been more inclined to spend. House prices, although at a lower level, would have stabilized and the task of establishing a price-discovery mechanism for asset-backed securities would be facilitated. Likewise, if Chinese workers and small producers were better rewarded, a growing Chinese domestic market could help to lift the global economy. Their ability to exercise civic rights of association and labour organizing would be likely to promote such better remuneration.

### *Fictions and futures*

If a 'parallax view' is required to grasp value, then the same goes for the 'fictitious capital' which Marx and—following Marx—David Harvey have held to be a crucial component of the accumulation process.<sup>4</sup> At a given moment in time such 'fictitious capital' may be quite unreal; but that does not mean that it is entirely spurious. The capitalist who makes an investment is thereby committing real claims on resources—his own claims or those of his backers—but his judgement will not be validated until the investment pays off in the creation of a viable and flourishing business. At no time has this been so clear as the present. The columns of the financial press teem with commentators claiming that the 'business model' of such and such an industry is 'broken'—the motor industry, steel making, airlines, newspapers, publishing, the music business and investment banking itself are all now spoken of in this way. Moreover, the out-sourcing of laborious tasks even threatens services like accountancy and law. As Mann points out, there is no lack of capital; but there

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<sup>4</sup> David Harvey, *The Limits to Capital*, 2nd ed., London 2006, especially Chapter 9.

is a lack of capitalists prepared to undertake the necessarily uncertain investments that would begin to lever the major economies out of the hole into which they have dug themselves.

Before considering immediate measures that address the crisis, a few more words on the concept of the 'fictitious'. Novels are fiction, yet it would be absurd to deny them any truth and to suppose, like the coffee trader in Eduard Douwes Dekker's marvellous satire, that their authors are simply out to hoodwink their readers.<sup>5</sup> The US Populists were radically suspicious of the pit traders and their financial instruments. They helped to inspire a Congressional inquiry into futures trading—'fictitious agricultural products'. The Chicago pit traders, it was urged, were just elaborate frauds—they were not farmers, nor did they have any pork bellies or wheat. They were simply parasitical speculators. In 1905 the US Supreme Court was asked to rule on whether futures and all derivative contracts were inherently deceptive and fraudulent. In their ruling on the issue, Oliver Wendell Holmes and his colleagues legitimated the buying and selling of futures on the Chicago Exchange. Holmes had been influenced by the thinking of his friend, William James, who had metaphorically placed such considerations at the heart of his philosophy when he wrote:

Truth lives, for the most part, on a credit system. Our thoughts and beliefs 'pass', so long as nothing challenges them, just as bank notes pass so long as nobody refuses them. But this all points to direct face-to-face verification somewhere, without which the fabric of truth collapses like a financial system with no cash-basis whatever. You accept my verification of one theory, I yours of another. We trade on each other's truth. But beliefs verified concretely by somebody are the posts of the whole superstructure.<sup>6</sup>

Holmes believed that the Chicago Exchange supplied the practical setting needed to verify the futures contracts, while informal and unregulated share-dealing 'bucket shops' did not. The decision gave the Chicago Exchange a monopoly but required it to exercise appropriate discipline over its traders. Analogously, the unregulated trade in CDOs by

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<sup>5</sup> Multatuli, *Max Havelaar, or the Coffee Sales of the Netherlands Trading Company*, [Amsterdam 1860] London 1983.

<sup>6</sup> William James, *Pragmatism: A New Name For Some Old Ways of Thinking*, Boston 1907, p. 30. The significance of this passage for Holmes's thinking is explained in Jonathan Ira Levy, 'Contemplating Delivery: Futures Trading and the Problem of Commodity Exchange in the United States, 1875–1905', *American Historical Review*, vol. III, no. 2, 2006.

the 'shadow banking' entities in recent years corresponded to the resurgence of the bucket shop.

A materialist amendment to the Holmesian/Jamesian view would insist that verification cannot take place entirely within the heads of different types of traders. At some point the wheat or pork bellies must appear and find a purchaser. Dealings in options and derivatives are just further extensions of the use of tokens to denominate value—stocks, bonds and wagers all refer to underlying assets and to procedures establishing claims over them. Paper money itself only has value as part of a wider financial system, linked to taxation and finance. Financial mechanisms do not themselves create value; but if they function well they can prevent losses or promote realization.

### *A public-utility credit system?*

In the conclusion to my 2008 article I listed a few specific measures that should be taken to tackle the crisis, including nationalizing the banks. How might these be cast into a transitional framework, opening up the possibility of a broader transformation? Nationalization was once a watchword of the Left, but of late several experts have raised it as a means to salvage, not threaten, capitalism. The British government was brought to accept the nationalization of Northern Rock, and later RBS and Lloyds TSB as well; yet in the first instance this new status brought no benefit to the banks' customers. Indeed, in a bid to repay massive government loans, the fully 'nationalized' Northern Rock became more exacting with mortgage holders and small businesses. Later bank nationalizations have reminded us that the mere fact of paper ownership may be of little consequence if the public authorities lack the will and the means to make something of it. They would need new criteria for making loans and personnel able to implement those policies. One should also note that what is 'public' from the standpoint of a particular nation-state is limited, sectional and private from the standpoint of the world as a whole. When a state-owned European or Chinese enterprise makes an investment in another country, is this still 'public'?

While by itself no panacea, bank nationalization should be seen as a stepping stone to that 'public-utility finance system' powerfully advanced by Peter Gowan in these pages.<sup>7</sup> As Gowan makes clear, even a public-utility

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<sup>7</sup> Peter Gowan, 'Crisis in the Heartland', NLR 55, Jan–Feb 2009.

finance system is not, by itself, a recipe for winding up capitalism. He points out that capitalist states like Japan and Germany have had financial regimes strongly oriented to public purposes. China also has elements of a public-utility finance system, but often compromised by excessive and needless concessions to native and foreign capital.

More generally it has become clear that individual corporations, no matter how large, are deeply dependent on a context which only the state and public bodies—regional, national and global—can protect and maintain. The investment banks' desperate attempts to save themselves by means of credit-derivative sales, and the smoke and mirrors of 'shadow banking', were resorted to because of a decline in their traditional role as handmaidens of the large corporations and as agents for centralizing the holdings of their customers. The credit crunch has led to the disappearance of some, the swallowing of others, covert or overt nationalization and the perpetuation of some famous names as zombie banks. Whatever the fate of schemes to create a 'bad bank', the fact remains that most of them are now thought of as bad. A public-utility finance system, by contrast, could serve two functions. It could supply a powerful new lead for investment and lending. It could also nurture public assets, improving on the practice of the better sovereign-wealth and public-sector pension funds. Potentially a public-utility finance system could be constructed on a supranational and eventually global basis.

However I suspect that Mann will be inclined to find a new, publicly dominated finance system as something very much less than the root-and-branch socialization demanded by the contradictions of capitalism. He evokes workers on the barricades and how they might represent a more radical solution. Let us discard the objection that there are no signs of such barricades. I would not rule out such uprisings before this crisis is done with—Athens or Bolivia, perhaps, supplying intimations, while Iceland's free-market government has been the first to fall. But assuming that a seriously anti-capitalist government has been established, how would it begin to revive the economy and bring the accumulation process under social control? Public finance and selective extensions of public or popular ownership and management will play their part; but surely we now know that—in the absence of the 'universal mind' that could draw up a plan down to the last button for each vest—a command economy will not deliver the desired results? Prices and money may become unnecessary at some future time, but right now they are instruments

through which the public power can regulate and control.<sup>8</sup> There may well also be a role for local currencies ('Local Exchange Trading Systems') or for the sort of direct bartering arrangements recently discussed by Emir Sader.<sup>9</sup> But the capitalist accumulation process must be checked and controlled—and eventually socialized—at a macro level as well.

Indeed the time has come to envision other types of socialist economy, embodying what Diane Elson once described in these pages as a 'socialization of the market'.<sup>10</sup> The measures I very briefly noted in 'The Subprime Crisis' went beyond regulation and nationalization in one specific way which Mann either fails to register or, more likely, which he regards as especially dubious—namely, using share levies on the corporations to establish Meidner-style social funds. If all commercial businesses were required to issue shares, proportional to profits, to a network of social funds, and if that network were linked to representation of, and accountability to, local communities, it would create another useful layer of collectivist experience, as well as tangible collective property rights and title to flows of income. In so far as a social fund held shares in a capitalist business it would be implicated in the functioning of the capitalist economy; adoption of 'socially responsible' investment criteria would not change this. But such funds could still usefully target such issues as labour rights, ecological safeguards, executive remuneration and so on. Pressing such issues will help develop a cadre of specialists capable of offering 'regulation from below'. One might conceive of them as embryonic bodies of financial dual power. I hope it is clear in the brief sketch that I am simply suggesting just one element in a package and that much depends on whether a broad public grasps what is at stake and is prepared to act. Only by pressing at the limits of capitalism—and acquiring new experience and abilities thereby—can the progressive movements ever hope to advance beyond it.

In the context of the current crisis, the shoring up of huge corporations like GM and GE, and the astonishing sums lavished on other financial

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<sup>8</sup> This was one of the conclusions that I drew from the 'calculation debate' and the Soviet experience in my 'Fin de Siècle: Socialism After the Crash', NLR 1/185, Jan–Feb 1991.

<sup>9</sup> Emir Sader, 'The Weakest Link? Neoliberalism in Latin America', NLR 52, July–Aug 2008.

<sup>10</sup> Diane Elson, 'Market Socialism or Socialization of the Market?', NLR 1/172, Nov–Dec 1988.

institutions, now establishes a strong case for public bodies to receive ownership stakes in them. The holdings by public banks and regional governments in large German companies embodies one aspect of such a pattern, proving quite compatible with innovation and collective entrepreneurship. The Norwegian State Pension Fund, and some of the US and UK public-sector pension funds, are examples of bodies that might be capable of working with a public-utility financial regime to curb corporate excesses, re-direct resources to useful ends, promote egalitarian goals, and build the capacity for the popular invigilation and administration of financial and corporate affairs.

From this perspective, the economic stimulus packages adopted by Washington and London are not wrong in principle; but they are wrong in just about every other way and this explains the continuing popular suspicion. The packages should be bigger, more clearly targeted at social priorities, and financed by taxes on corporations and the rich, not higher taxes for the bulk of the working population. Social priorities could include poverty eradication, education, energy efficiency, health care, elder care, mass-transit systems, free kindergartens and clean technology, all of which have proven track records in generating long-term jobs—unlike most road-building schemes. The grotesque top-down bail-outs of the past 18 months have made an overwhelming case that the rescued banks and corporations should be taken into public ownership. But this should not mean that we are left with just one huge publicly-owned bank running the entire national or global economy. A public-equity finance regime should have a democratic, regional and devolved character, as well as nationally and globally determined constraints, norms and objectives. As someone once put it, socialism is not a monist practice.



## REVIEWS

Gunnar Heinsohn, *Söhne und Weltmacht: Terror im Aufstieg und Fall der Nationen*

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GÖRAN THERBORN

### NATO'S DEMOGRAPHER

Given the permanent social weight of population questions, it is remarkable that their hold on mainstream social and political discourse has been so intermittent and precarious. Within the academy, demography and demographic history are usually small, rather marginal disciplines, albeit duly respected for their rigour and for the brilliance of their top performers. Politically, population issues have normally been advanced from the right—and from might. They were foregrounded in mercantilist discourse on states and competitive power, in the dystopian political economy of Thomas Malthus and in the planning for national mass armies—particularly in France, with its avant-garde popular birth control. In the 19th-century Americas, the question was raised in the form of targeted immigration. ‘To govern is to populate’, it was said in Argentina. In Cuba and Brazil, European immigrants were perceived as an agency for the social transformation from plantation slavery to capitalism and commodity production, ‘whitening’ the population in the process. In North America, European immigration was the means to conquer the West.

The falling European birth rates of the 1920s and 1930s induced a major concern with population across the political spectrum, from Fascism to Scandinavian Social Democracy, via ‘national government’ Britain. In Sweden, Alva and Gunnar Myrdal, the star couple of reformist modernism, managed to make population the basis of a large-scale social-policy agenda, which uniquely included easing women’s participation in the labour force

and lifting restrictions on contraceptives, in a vast programme to promote voluntary parenthood. It also included, however, eugenic sterilization of the 'asocial' poor and the mentally 'retarded'. Both Social Democratic Sweden and Nazi Germany had a material impact on national population history, in contrast to the pure bombast of Mussolini's Italy. But it was the German success—and subsequent military defeat—which discredited natalist population policies in the West, more or less up to the present day.

After 1945, Western population policy concentrated on birth control in the Third World, where it was held to be a major lever of economic development. The campaign was led by a dedicated but small force of North Atlantic Protestants and US philanthropists, headed by Baptist Rockefellers, along with Scandinavian internationalists and aid agencies. There was an early embrace of birth control in densely populated post-imperialist Japan, and secular Third World leaders such as Nehru and Nasser were sympathetic, in contrast to the Marxist Left. Hostile official opinion in Latin America began to change in the 1960s, but it was only at the 1984 UN Population Conference in Mexico that there was a global endorsement of family planning. By the 1960s, the active promotion of population growth was largely confined to Communist Eastern Europe, where fertility had plummeted with near universal female labour-force participation. In Hungary, this was largely confined to economic incentives—which did have some effect—whereas in Ceausescu's Romania the policy was pursued with characteristic brutality, outlawing abortion and contraceptives. For almost half a millennium Western Europe had been a region of out-migration, but in the last third of the 20th century, immigration became a factor—not as a population issue, but as a problem of cultural politics. The latest demographic development to attract political attention in Europe—although only in the past ten years—is ageing and decline. In the late 1990s, the EU research programme showed no interest in projects on this issue. Today, however, it is widely recognized and selective immigration seen as a solution to the problems of ensuring economic dynamism and social support of the elderly.

In social historiography and historical sociology, meanwhile, there have been some highly sophisticated investigations into the interactions of population change and political and economic development. One major debate centred round the work of Robert Brenner, who engaged with the then-prominent 'demographic model' for explaining the origins of capitalist development in Europe. The importance of population was not at stake, but Brenner's main concrete point was that the institutions of property and class relations of early-modern England set it on course towards industrial capitalism. He argued that 'under different property structures and different balances of power, similar demographic or commercial trends . . . presented very different opportunities and dangers and thus evoked disparate

responses'. As a serious historian, Brenner was not denying the force of population movements, but focusing on their variable institutional channels.

Another major intervention asserted the effectiveness of demographic power. Jack Goldstone's 1991 *Revolution and Rebellion in the Early Modern World* focused on the English Revolution of the 17th century, but also looked at the French *Fronde* of the same period, and forward towards the French Revolution; with some sharp sideways glances at pre-industrial revolutions outside Europe, from the Ottoman Empire to Japan. Goldstone's main argument was that population growth undermined the existing balance of power and resources in societies with little capacity for economic or institutional adjustment. He demonstrated that in a number of instances demographic pressures, driven mainly by a decline in child mortality, were pushing against existing limits on 'available land, civil and ecclesiastical offices, and royal patronage', taking a variety of political and ideological forms. These included state fiscal distress, elite division or competition and increasing 'mass mobilization potential', as a result of falling real income, a young age structure and rapid urban expansion—London growing eightfold between 1500 and 1640. Goldstone's work was not subject to a wide debate, scholarly or political; but one result of this is that his 'demographic/structural model' of social revolution remains uncontested, at least among historically interested social scientists. Allowing for disagreements of emphasis, then, both Brenner and Goldstone agree that demography has important economic and political consequences, but that the latter are variable and have to be carefully identified and specified within different social arenas and mechanisms.

In recent years, however, a cruder approach—though one claiming vast explanatory reach—has attracted much attention in Germany. Gunnar Heinsohn's *Söhne und Weltmacht*—'Sons and World Power'—was first published in 2003, and has been through ten editions since then (no English translation has yet appeared). Heinsohn has been hailed by Peter Sloterdijk as the originator of a new field, 'Demographic Materialism'. Born in 1943, Heinsohn has recently retired from the chair of Sociology at Bremen, where he also directed a European Institute of Genocide Research. He has picked *Lesefrüchte* far and wide, thanks to a very agile mind, often short-circuited by grandiose intellectual ambitions. His early works include a theory of family law, co-authored with Rolf Knieper in 1974, and a theory of kindergartens and teaching through play, in 1975. He first became known, or notorious, in 1979, with a very idiosyncratic interpretation of Western European demographic history, *Menschenproduktion*—'the production of humans'. In the 1980s, following in the footsteps of another agile mind gone astray, the psychiatrist Immanuel Velikovsky, Heinsohn turned his attention to the ancient world, re-shuffling the established histories of Egypt and Israel to give the latter chronological precedence. In 1996 he published, with Otto Steiger, a

work on the 'unsolved enigmas of economics', *Eigentum, Zins und Geld*—property, interest and money.

But it was in 2003 that Heinsohn hit the mediatic jackpot, with the book currently under review. A work of popular demography, *Söhne und Weltmacht*'s rapid ascent to best-seller status in Germany was no doubt helped by its subtitle: 'Terror in the Rise and Fall of Nations'. Heinsohn here is a man with a political-demographic message, coming again from the right. Bluntly put, he wants to warn us that there are too many angry young men outside the Euro-American world today—above all, too many Muslim young men. It is well known, of course, that world data on age cohorts reveal a higher proportion of the young—a 'youth bulge'—in the Middle East and Sub-Saharan Africa, relative to overall population, in contrast to the higher proportion of the 'working-age' population in East Asia and Latin America, or the 'age bulge' of Japan and Europe. Heinsohn's contribution has been to interpret this as one of the principal threats to the West in the first quarter of the 21st century. As he generously acknowledges, Heinsohn picked up this notion from the US Defense Intelligence Agency. Clinton's DIA Director, Lt-Gen Patrick Hughes, had described the 'youth-bulge phenomenon' as a 'global threat to US interests' and 'historically, a key factor in instability' as early as 1997. But like a good Teutonic theorist, Heinsohn saw how to embellish the threadbare empiricism of American military bureaucracy with a world-historical idea: 'Surplus young men'—the German word is *überzähligen*, over-numerous—'almost always lead to expanding bloodshed, and to the creation or destruction of empires.'

The book contains three main arguments. Firstly, it proposes a view of the contemporary world-political situation as one of war, terrorism and civil conflict, due to the afore-mentioned youth bulge in African and 'West Asian' countries, which drives young men—above all, younger sons, battling for status—to various forms of violence. A 'youth bulge' is defined here, with the precision of an obsessive idea, as occurring when the 15–24 age bracket occupies more than 20 per cent of the population—easily predictable a decade ahead from the widely available 'child-bulge' data for the 0–15 bracket. The figures are laid out in the book's opening chapters, entitled 'Old–New World Enemy' and 'Where Do the Young Men Live?'—to which the answer is: mainly in Muslim countries. Heinsohn accepts that the youth bulge will have worked its way through in Africa and the Middle East by 2025, but argues that the global threat it will pose over the next few decades may make the twenty-first century even bloodier than the twentieth.

Secondly, *Söhne und Weltmacht* propounds a notion of European colonialism as produced by a population explosion, caused by the destruction of medieval knowledge of birth control. In two central chapters, 'The Demographic Origins of the Conquistadors' and 'World Power Yesterday and

Tomorrow: More Sons and Stricter Property Structures', Heinsohn explains that Europe's 'world expansion' was eminently successful because it was driven by societies with property rights, and therefore banks, credit and money. The sons of today's youth bulge, however, are located in poorer countries that lack the education systems to provide the status they seek. Finally, Heinsohn turns to consider the low reproduction and fertility rates in Europe, and to ask whether it would be possible to make European women more enthusiastic about motherhood. He has attacked French and German 'demographic Keynesianism', however, for encouraging 'uncultured' (*bildungsferne*) immigrant women to breed. A correct population policy would provide lavish incentives for educated 'career women' to have at least two children. For the rest he thinks that social entitlements and welfare payments should be abolished for all except the mentally and physically handicapped.

On what to do about the angry young men *ante portas*, Heinsohn is almost as discreet as his masters in Washington and Virginia. The director of genocide research is cautious not to say that killing them off may be the cheapest, most rational solution. Instead, he refers to a US strategy of 'win-hold-win', which may be translated into everyday language as kill (by pre-emption)—keep (other enemies down)—kill (next enemy, before he moves). Heinsohn makes clear that the 'war on terror' is a long-term offensive—'our whole life'—against waves of rebellious young men in the Islamic world. The book was written in the run-up to the invasion of Iraq, of which Heinsohn was an ardent supporter, and contains its share of sombre meditations on 'genocidal dictatorships' and 'weapons of mass destruction'. In recent interventions, his perspective has become more policy-oriented—perhaps due to the fact that, on the basis of *Söhne und Weltmacht*, he is now a frequent guest speaker at the German Ministry of the Interior, Intelligence Service (BND) and NATO. Where possible, he argues, the angry young men should be left to kill each other, as in Somalia or Darfur. If that is not working, discreet military aid to the 'more civilized' side is suggested, with French arms for the Algerian regime against the Islamists a prime example. But should the angry young men become threatening to Western interests, a pre-emptive military strike will be necessary. No long-term occupations or attempts at 'state-building' should follow, however. These are not only costly but futile, as long as the numbers of angry young men continue to grow. The occupations of Afghanistan and Iraq have been a grave error, according to Heinsohn. He is strongly opposed to any UN or EU aid to Gaza, as it merely finances Palestinians' 'demographic armament'. Yet his maverick views can equally disconcert established opinion from the other side—calling in the *Wall Street Journal* for Europeans to welcome a quarter of a million young Palestinians into their midst immediately, so as to relieve the pressure in Gaza.

Strangely, however, for someone with a love—perhaps unrequited—of demography and its implications for power, Heinsohn is silent on one crucial variable in the relation between ‘the West’ and angry young Muslim men: their comparative killing capacity. In Israel’s 2009 war on Gaza, the ratio was about 100 to 1 between Israelis and Palestinians. In the first phase of the second US war on Iraq, it was closer to 1,000 to 1. This is a major absence in Heinsohn’s analysis. Superior killing capacity played an often decisive role in European expansion, from Pizarro’s defeat of the Incas in the age of the musket to the victories of the French and English in Africa in the age of the machine gun. Such capacity can, of course, run up against demographic limits. Israeli leaders have begun to argue that the demographic clock ticking in the Palestinians’ favour may make some sort of ‘two-state’ solution unavoidable, to block talk of the far-worse scenario of a single state; the ignominious end of Israel’s old ally, apartheid South Africa, is writing on the wall.

In fact, for all his admiration of the Pentagon, Heinsohn’s first international love seems to be Israel, or more deeply Judaism, seen by him as an ethical example. (This is not an expression of any ethno-religious chauvinism, but an ideological choice. As the son of a Third Reich submarine captain, Heinsohn is unlikely to have had any important Jewish ancestry.) He launches a bitter attack on European critics of the post-1967 West Bank settlements, noteworthy since he has been charged with leading an institute of genocide research. Yet the well-protected settler movement would surely qualify for that term under the broad definition given to it by the UN after World War Two that included population removal by deportation and harassment. By the standards of the Hague Tribunal on the Yugoslav wars of secession, the entire Israeli political and military leadership would be locked up for life.

Heinsohn’s scholarly reputation among German academics of his own generation is, on the basis of an informal survey, slight—‘zero’, as one colleague put it; but it is generally acknowledged that his media presence as an original intellectual is not undeserved. Both poles of the evaluative spectrum are understandable from a reading of *Söhne und Weltmacht*, even if the book—essentially a pamphlet of some 15,000 words—does not merit Sloterdijk’s description of it as the *Kapital* of our times. Certainly, to anyone taking demography—or, indeed, history—seriously, Heinsohn’s account of European population growth from the late 15th century is impossible to swallow. This is no insignificant matter since the same dynamics led, according to the author, to Europe’s subsequent world conquest. Heinsohn argues that pre-modern European contraceptive knowledge was wiped out by a massive witch hunt, which struck against midwives in particular, backed not only by the Catholic Church but by, for example, Martin Luther. Contraception

became subject to capital punishment. The ensuing population explosion led to imperialist expansion—initially in Portugal and Spain—and to domestic revolution in the Netherlands and England (Goldstone is selectively referred to). Following Heinsohn's fast track through future world history, Europe's late-fifteenth century demographic turn not only formed the modern world through colonial conquest but, in exporting its contraception-phobia, determined subsequent global population history: 'The transition . . . to the population explosion of the world begins when, in the European conquered areas, birth control is punished as harshly as on the Old Continent'.

Such an account either discards or ignores virtually the totality of demographical-historical scholarship. The established picture suggests that there was no 'new' European growth curve from the late 15th century—that would occur two centuries later—but rather a recuperation from the devastations of the fourteenth-century Plague. According to such works as Livi-Bacci's *Europa und seine Menschen*, or Wrigley and Schofield's *Population History of England*, European demographic movements were largely governed by, or related to, food prices and real wages. A uniquely flexible system of late marriages, which kept a significant proportion unwed, operated west of a Trieste–St Petersburg line, following the frontier of mediaeval Germanic settlement. On a world scale, the main thrust of demographic knowledge—codified, too rigidly in your reviewer's opinion, in J.-C. Chesnais's theory of 'demographic transition'—is that the acceleration of population growth was driven by declining mortality. While Heinsohn absurdly exaggerates the importance of pre-modern birth control, as well as political and religious power over it, there is a good deal of evidence that contraception in fact appeared in the 17th and early-18th centuries among various elite groups: the Jewish bourgeoisie in Italian cities such as Livorno and Florence, the patriciate of Geneva, English peers and Swedish noblemen.

Can a 'youth bulge' explain the rebellions of 1968? In France there was indeed an extraordinary growth in the number of teenagers—almost 50 per cent—between 1960–70; it was somewhat less in the US. In Italy and the UK there was only a modest increase. In Germany and Sweden there was a small decline, although the Swedish 20–24 age group increased by more than 40 per cent. Frustrated status competition, however, does not seem to have had any bearing upon the 1960s youth rebellions. The 1960s and early 1970s were the golden years of Continental European economic and employment growth. University jobs were multiplying, rapidly growing welfare states provided new labour markets for women, the white-collar labour market expanded enormously and factories were facing acute labour shortages, to be met only by inviting immigrants to northwestern Europe. Personally, as a 1960s radical of the baby-boom generation, in retrospect I find our insouciance about job and career prospects quite remarkable. Even

those of us who, like me, did not come from a privileged or intellectual background, were convinced that after periods of intense political activity we would find a decent job, somewhere. In his *Birth and Fortune*, the American economist Richard Easterlin remarks on a relative decline in the income of young household-heads, in comparison with middle-aged ones, concomitant with a rise of political alienation. But the problem with Easterlin's data for explaining 60s rebellion is that the most rapid decline took place after 1973, which was not when radicalism accelerated. Similarly, Louis Chauvel's study of French cohorts, *Le destin des générations*, finds a generational economic decline later, among those turning 20 in 1975 and after.

Like all other data, demographic statistics can become ridiculous when extrapolated from their broader social-historical context. Sweden, with virtually complete population figures going back to 1750, the oldest in the world, had a 'youth bulge' from the 18th century, and most likely before that, until the First World War. This has so far added nothing of any significance to our understanding of Swedish history. Demography, even when deployed in a scholarly manner, is not a moral science—which explains, in part, its attractiveness for military bureaucracies. The youth-bulge argument can tell us nothing of the oppressive character of the Shah's regime in Iran, the terror of the Zionist occupation of Palestine, the horror of the US wars in Vietnam, Iraq and Afghanistan, the insults of the Islamophobes, the hypocrisy of capitalist liberalism, or the stifling closets of patriarchy. The conservative appeal of ideas such as Heinsohn's is their debunking quality: you think you are protesting against this or that, but in fact you are only competing blindly for status in an overcrowded youth bulge. Yet Pentagon fears of angry young men, from whom a contingent of angry young women should not be *a priori* excluded, cannot simply be dismissed as irrational paranoia. This rebellious youth may indeed be a harbinger of social change; but the direction of that change will be decided by political struggle.

Militarily, national population size means little in an epoch characterized by high-tech weaponry and the deployment of mercenary forces by great powers. Today, demographic trends are more likely to have economic effects. Refraining from any pseudo-deterministic predictions, the ageing societies and falling populations of Europe and Japan are likely to mean a long-term decline relative to the US, Brazil, China and India. Japan will never now become 'number one', nor is the EU ever likely to become the 'world's most competitive knowledge-based economy'. There have been some strong arguments for a positive demography of economic development: mercantilism saw population growth as an asset, not a social problem. In the 20th century, the Danish agronomist Esther Boserup proposed a sophisticated theory of the positive significance of population growth. Its lived truth for agrarian economics is exemplified most eloquently in the Netherlands:



Ramachandra Guha, *India after Gandhi: The History of the World's Largest Democracy*

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SUMIT SARKAR

## THE STATE OF INDIA

Given the extraordinary proliferation of historians and historiographies in contemporary India, it seems astonishing that Ramachandra Guha's is the first attempt at a national history of the country since Independence. As he points out, 'modern' Indian history conventionally stops in 1947. There has, of course, been a vast amount of analysis of the country's development since then. But this has generally focused on specific themes or institutions—communalism, political parties (above all, the Congress), caste, peasant studies, regionalism, urbanization, and so forth. For their part, historians have paid a great deal of attention to the ruptures and continuities of the colonial era and to the nationalist movement in the formative 1857–1947 period, while the Subaltern Studies tradition has tended to concentrate on micro-research, often at village level. *India after Gandhi* is thus a breakthrough in Indian historiography: an overview of the country's post-colonial course spanning some 900 pages. Guha promises to review political, social and economic developments, cultural innovations and popular entertainment, at regional as well as national levels. The final product is more limited than that, but nevertheless both useful and highly readable. A prolific writer, Guha's first book was *The Unquiet Woods* in 1989, the fruits of his doctoral research on the environmental social history of the Himalayan forests. He has since produced half a dozen more works in this field, including a global history of environmentalism, and at least as many about cricket. In *India after Gandhi*, Guha provides a thoughtful survey of the period in fluent, lucid prose.

One reason why contemporary Indian historiography has remained so underdeveloped is the structural constraints under which it has operated. Archival sources are very rarely made available to scholars; there are few

private paper collections, and access to those that exist is often restricted; there are even fewer collections of the documents of parties, trade unions and political organizations of other kinds. Guha has consulted whatever resources he could, in libraries and archives all over India and across the world: British archives for the early part of the book, official surveys and reports, published volumes of the speeches and writings of various politicians, and some important private papers, including those of C. Rajagopalachari, General Thimayya and P. N. Haksar. But the virtual non-availability of standard archival sources still remains a very important gap.

Nor can the national historian rely on a solid underpinning of secondary sources. As Guha writes:

The Republic of India is a union of twenty-eight states, some larger than France. Yet not even the biggest or more important of these states have had their histories written . . . India has produced entrepreneurs of great vision and dynamism, but the stories of the institutions they built and the wealth they created are mostly unwritten. Again, there are no proper biographies of some of the key figures in our modern history, such as Sheikh Abdullah, Master Tara Singh or M. G. Ramachandran, 'provincial' leaders each of whose province is the size of a large European country.

To compensate, Guha has made extensive use of Indian, American and British newspapers and journals, especially for the post-1989 period. In fact, his narrative is frequently interspersed with comments and observations from foreign 'India hands' or experts, many of which are neither very penetrating nor very interesting. In his over-dependence on newspaper accounts, Guha is also constrained by the fact that he had to rely on those written in English. For a linguistically diverse country such as India, regional-language press accounts, biographies or memoirs might have brought fresh insights to the story he has to tell.

What is that story? Guha offers no overall theses as to how the India of 1947 became that of today. Instead he embarks on a narration of political events, deftly interwoven with socio-cultural and economic developments. Along the way he provides a set of individual political profiles, often interesting and amusingly drawn. One occasionally feels that he overuses this strategy, especially since, barring a few individuals—Nehru, Patel, Sheikh Abdullah, Indira Gandhi or Jayprakash Narayan—many were not as significant as the character-driven plot structure, weighted towards party leaders, makes them out to be. Other social forces and structures are inevitably downplayed. This limits the type of answers Guha can give to his two framing questions: first, how is it that post-Partition India, with its plurality of languages, cultures, religions and ethnic identities, has been able to survive as a united nation-state? And second, how could such a vast, poor and populous land remain a functioning democracy—indeed, as Guha puts it,

quoting Sunil Khilnani, a 'bridgehead of effervescent liberty on the Asian continent'? This double survival—national unity and democracy—is, Guha contends, the most arresting feature of the history of independent India, and he cites numerous (mainly English or American) observers who assumed that, without them, the 'unnatural nation' would descend into Balkanization or dictatorship. These are, of course, important historical questions. Guha does not really answer them; nor does he ask what type of democracy—organized by what rules, installing which leaders? Or, what sort of state was forged by the Congress leadership, on the basis of decolonization and partition? Nevertheless, he does provide a clear and comprehensive account of the course of events.

The book begins with a précis of the broad features of colonial rule, the nationalist movements, and the political dynamics of religious differentiation that led to the establishment of two modern states on the subcontinent, India and Pakistan. A signal strength of *India after Gandhi* is its full acknowledgement of the terrible trauma of Partition, the scars of which continue to mark both countries to this day. Two excellent chapters discuss the flight of India's Muslims, the enormous problems of the settlement and rehabilitation of refugees from East and West Pakistan, and the subsequent experiences of the displaced people themselves. Guha also describes the processes by which over 500 princely states, occupying perhaps a third of the country and long propped up by British rule, were absorbed into the Congress-led Republic, whether by persuasion, bribery or—for the most recalcitrant—outright coercion. There is a long chapter on Kashmir, incorporated into the new Indian state on the say-so of its corrupt and reviled maharaja, against the wishes of the largely Muslim Kashmiri people. (The determined resistance to Delhi's rule by the North-Eastern states is less well covered.)

There is a good, though entirely uncritical, chapter on the drafting of India's Constitution, which installed the first-past-the-post electoral model that would ensure the country remained a 'one-party democracy' for a generation, and a lucid account of the political struggles around the establishment of language-based states. Guha provides a clear contextualization of the aftermath of 1947–48, and the geographical and cultural diversities of the infant state. He is at his best in handling the Nehru years—partly because his own sympathies lie here but also, more crucially, because the sources available to the historian are so much fuller for this period. The story is largely organized around the fortunes of the Congress Party—indeed, around the figures of its leading dynasty, the Nehru–Gandhi family—up to the assassination of ex-prime minister Rajiv Gandhi in 1991. This inevitably suggests the familiar story of successive generational decline: idealistic Jawaharlal, head-strong Indira, criminal Sanjay, opportunist Rajiv. But the narrative of events complicates this account.

Guha gives a useful description of Nehru's dealings with the popular Kashmiri leader Sheikh Abdullah, his one-time friend and ally, whom Nehru imprisoned for ten years for raising the issue of Kashmiri independence. He makes no bones about Delhi's refusal to honour the UN call for a Kashmiri plebiscite, the massive Indian military occupation of the state, and the brutalities that followed. He covers the Nehruvian industrial and infrastructural developments of the 1950s, most famously the dam-building projects, and the timidity of land-reform efforts that left the plight of low-caste labourers and share-croppers virtually untouched. Likewise, the concept of a unified Indian civil code was abandoned in favour of colonial-style religious codifications of personal law, in deference to patriarchal privilege. Guha gives a chilling account of the Indian Army's counter-insurgency methods in the North East against the Nagaland independence movement during the 1950s, including the use of strategic hamlets—which Samuel Huntington would famously propose ten years later for Vietnam—to break villagers' links with Phizo's guerrillas. Another low point was the Centre's overthrow of the first elected CPI government in the state of Kerala in 1959.

*India after Gandhi* tracks in some detail the build-up of tensions with China over disputed sections of the border—Beijing claiming land along its western frontier, designated Indian by the British Commonwealth Office, while Delhi asserted ownership of mountain ranges in the east, claimed for China by the Han conquerors of Tibet. Guha is interesting on Nehru's high-handed dismissal of Zhou Enlai's 1959 offer to swap east for west; and on the debacle of India's military defeat in the Sino-Indian War of 1962, after a foolhardy provocation of the vastly more numerous Chinese force, positioned on the mountain heights. The humiliation left Nehru, then in his seventies, a broken man; he would die eighteen months later, to be succeeded as prime minister—after a brief interlude under the aged Lal Bahadur Shastri—by his daughter, Indira.

Guha's concentration on personalities conceals the fact that many of the problems that erupted under Mrs Gandhi after 1966 were aspects of her father's legacy. State unity, in the aftermath of Partition, required large-scale military occupations in Kashmir and the North East to suppress popular independence movements; the Army was boosted by a massive rearmament programme in the wake of the Sino-Indian war. Guha does not make the point that, to be effective, Nehruvian national-development policies would have required sweeping land reforms, to raise living standards sufficiently to provide a flourishing internal market, together with far-reaching investment in education, health and so forth. But he does note that literacy levels were actually lower, as the Republic of India approached its 25th anniversary, than they had been in 1947—down to 18 per cent for female literacy, and 4 per cent in Bihar. The 'green revolution' benefited no more than 10

per cent of agricultural producers, largely from the lower-middling castes (OBCs). Failure to pursue land reform led to an explosion of peasant revolts in the 1960s, including that of Naxalbari, and the Maoist-led 'Naxalite' uprisings across Andhra Pradesh, Telengana and Orissa. Challenged from the Left, and by regional parties equipped with film-star candidates and local-language TV channels, the shrinking Congress Party vote was shielded by the electoral system at national level, yielding a majority of 54 per cent of Lok Sabha seats for 40 per cent of the popular vote in 1967; but it was increasingly under pressure in the provinces.

Mrs Gandhi's electoral fortunes rose with the wave of nationalist fervour that followed India's huge military intervention in the 1971 break-up of Pakistan, to 'support' the newly independent state of Bangladesh and inflict a major defeat on Islamabad, but also to shore up the frontier of West Bengal. Indira, Guha recounts, was hailed as an all-conquering goddess by the parties of the Right, and quickly cashed in her victory to win a two-thirds majority in the Lok Sabha. Yet the failure to deliver tangible social improvements led to a rising tide of strikes and protests, amid soaring inflation and unemployment, while Mrs Gandhi, dogged by electoral corruption charges, resorted to increasingly high-handed tactics. Guha judges her declaration of Emergency rule in June 1975 as 'not a radical departure from past practice, but a deepening of it'—in contrast to Nehru's 'halting yet honest attempts to promote a democratic ethos in a hierarchical society'. He notes, too, the loyal silence of the bureaucracy, and the support of business and the mainstream media, as the clampdown throttled workers' protests. Of the reasons for the sudden lifting of the Emergency in 1977, followed by Mrs Gandhi's three years in the political wilderness, he remarks only that her papers remain closed, 'and probably always will be'.

Telegraphically, Guha sketches the effects of growing class and regional disparities on the changing social topography of the country: the rise of 'dynamic' centres in Tamil Nadu or western Uttar Pradesh, while rural Orissa and Bihar stagnated. Relatedly, rising rural castes—benefiting from the commercialization of agriculture, or the relocation of upper castes to the cities—battled for better shares of affirmative action programmes. Social tensions, Guha suggests, played a part in the radicalization of Punjabi Sikhs, whose militants gunned down Mrs Gandhi in 1984, in revenge for the Army's storming of the Golden Temple. As the economic outlook worsened, Rajiv Gandhi's five-year premiership was characterized by opportunist gestures to religious reaction—the first brick laid at Ayodhya—and military muscle-flexing as a regional hegemon; 48,000 Indian troops were sent to battle the LTTE in Sri Lanka. Rajiv himself was killed by a Tamil Tiger suicide bomber, in the course of the 1991 election campaign. The sympathy vote for Congress after his death gave the party a majority sufficient for Narasimha

Rao's government to push through the main planks of the neoliberal programme that would set India's course up to the present.

*India after Gandhi's* focus on the Congress Party—with other political developments, whether from Left or Right, largely structured as challenges to the Nehruvian liberal-centrist ethos—inevitably leads to a certain collapse of narrative continuity once Congress ceases to be the decisive political actor at state and central levels. For the post-1990 period, Guha resorts to more thematic coverage and, as noted, journalistic sources. Under the heading of 'Rights', he looks at caste struggles, leftist insurrections and movements for regional autonomy or independence. The histories of these conflicts in the South and in Kashmir are cogently told, their radical and sometimes bewildering turns well elaborated. There is a clear account of the Naga insurrections, too; but the complex identity politics of Assam, Manipur and Mizoram remain shadowy.

A chapter on 'Riots' covers communalist violence, especially that of Hindu majoritarian groups, down to the 2002 anti-Muslim carnage in Gujarat. This, and the massacres of Sikhs in the Punjab in 1984, are the only 'pogroms' India has seen, Guha argues, and both were driven from above: the first by Narendra Modi, still Gujarat's Chief Minister; the second by Rajiv Gandhi. 'Riots' helps to clarify crucial features of ethnic violence in India, especially in its Hindu-nationalist forms, but the book lacks a clear explication of the nature of the Rashtriya Swayamsevak Sangh—the lynchpin of the Hindu Right—and the activities of the various organizations it has spawned at the grass roots. The RSS's mobilizing strategies and its savagery towards Christians, in particular, need closer scrutiny, since these have shaped much of the politics of the country in recent times. Under 'Riches', Guha then discusses state industrial strategy and aspects of the post-1990 structural-adjustment policies, developed under IMF–World Bank directives, before concluding with a short, rather unsatisfactory chapter entitled 'A People's Entertainment', focused on cinema, music and sport. Proper coverage of this theme would need to evoke the full range of regional language resources and cultural traditions implicated in the title; if this is impossible, there are still so many omissions here as to make the attempt questionable: Indian culture without alternative and regional cinemas, popular and avant-garde literatures, painting, sculpture, theatre, dance? Radio and television find a place, but not one proportionate to their historical importance. Indian cricket—another field of study first mined by Guha himself—is discussed curiously little. Indeed, Guha sometimes seems, perhaps understandably, to give short shrift to areas of research he has been central in shaping.

On the equally vast subject of the Indian economy, the 1991 reorientation towards deregulated, free-market policies certainly deserves a more prominent role than it is given in Guha's brief account. The bifurcation of

the economy has been a central factor of India's development over the past fifteen years. On the one hand, a vast stagnating agrarian sector, supporting nearly 70 per cent of the population, that has seen declining investment and increasing casualization since the 1990s; on the other, a highly productive knowledge-based sector, attracting much foreign investment, disproportionately concentrated in a few states and major cities. This also has important implications for the most salient political development of the last decades: the emergence of something like a two-party system, with coalitions formed around the poles of Congress and the BJP, for whatever their differences, both have *de facto* promoted the same economic model.

That these monumental and complex shifts in the contemporary Indian economy barely get a mention is indicative of the imbalance between earlier and later periods covered by *India after Gandhi*: the 1950s Mahalanobis project of industrial development through public-sector expansion, for instance, takes up an entire chapter. But there is very little on the key enterprises of the 1980s and 90s, their global and multinational linkages, the effects of Special Economic Zones on land, peasants and workers, the collapse of older industries, the progressive diminution of public-sector enterprises, with the attendant rights they conferred upon employees, or the informalization and increasing feminization of work—in short, the paradoxical coupling of high growth and poverty levels, and the striking absence of effective social welfare. While caste movements and their concerns are illuminatingly covered, the structures that determine the fortunes of the urban and rural poor are relatively neglected here, as are their political struggles. There is little on ecological problems, or on the tribal and popular movements who are resisting the clearing of forests, the construction of mega-dams to control the flow of rivers, the acquisition of agricultural land and the enclosure of coastlines in the interests of corporate capital. This is especially puzzling, since Guha is a pioneer of environmental history in India.

More broadly, what is missing in terms of Guha's framing questions is any analysis of the tensions between national unity and democracy, and the ways in which the concerns of the former—military security, internal sovereignty—have not infrequently hollowed out the content of the latter. Kashmir and the North East represent the most brutal face of this contradiction, where the achievement of 'unity' has come with human-rights violations that parallel any in the world—certainly those of neighbouring Tibet. Guha does not ignore such flashpoints; indeed, he has some perceptive things to say about them. Yet there is an implicit drive within his narrative that turns these tensions into 'obstacles' faced in the project of nation-building, rather than paradoxes that may be constitutive of this very project. Over the long run, national unity and electoral democracy in India have survived together. But does that necessarily mean that one implies the other?

These are large questions, which Guha does not address. This is not an incidental drawback, but flows from the liberal-Nehruvian nationalism that is the book's chief ideological marker. Guha's framing Prologue and Epilogue strike a far more self-satisfied note than the thoughtful narration that forms the body of the book. On India's democracy, for example, admitting that 'most political parties have become family firms, most politicians are corrupt and many come from a criminal background', Guha argues:

The sapling was planted by the nation's founders, who lived long enough (and worked hard enough) to nurture it to adulthood. Those who came afterwards could disturb and degrade the tree of democracy but, try as they might, could not uproot or destroy it.

Today, amid strengthening Hindu extremism, terrorism of various kinds, the dismantling of the public sector and a foreign policy dominated by alliance with the US and Israel, nostalgia for an idealized Nehruvian legacy—unity, democracy, state enterprises, secularism, non-alignment—haunts not only liberals but also the Left, once very critical of Congress policies. Granted that, for a country emerging from the genocidal ravages that accompanied its traumatic partition, and from the political-economic shackles of colonialism, even a minimal realization of that vision was remarkable. Yet paradoxically, some of the decisions of the Nehruvian era themselves led on to the most distressing developments. Democratic structures were highly centralized, belying the federal promise of the Constitution; first-past-the-post voting systems delivered disproportionate numbers of seats, first to the Congress Party, later to the BJP. Frontier regions and erstwhile princely states were absorbed into the Republic without any reference to the wishes of their people, and where this gave rise to unrest or secessionist politics, they were treated as lands under military occupation. Ultimately, even Nehru's famous proclamation that India possesses an essential unity in all its diversity, was problematic, for unity as an imperative could well feed into a Hindu-Hindi religious-cum-linguistic majoritarianism. These lines of negative continuity are ignored by Guha.

But if some of the book's weaknesses flow from this particular ideological standpoint, so do a great many of its strengths. For all the differences one may have with it, *India after Gandhi* is an important contribution to an evaluation of modern Indian political history. Given the vast and crowded canvas that Guha surveys, his coverage is necessarily selective. Nonetheless, it is remarkable how many diverse themes the book covers; it cannot be accused of omitting any important event. The focus on political parties—and within them, on dominant personalities—inevitably leads to the exclusion of other protagonists, however. In his Prologue, Guha writes rather beautifully of the colourful tent cities that protesters from the provinces had established in



the 1990s on either side of the Rajpath in Delhi—the imperial highway that runs up to the central government buildings—and his dream of chronicling the histories of the different groups:

One tent might be inhabited by peasants from the Uttarakhand Himalaya, seeking a separate province; a second by farmers from Maharashtra, fighting for a higher price for their produce, a third by residents of the southern Konkan coast, urging that their language be given official recognition . . . The people in these tents and the causes they upheld were constantly changing. The hill peasants might be replaced by industrial workers protesting retrenchments; the Maharashtra farmers by Tibetan refugees asking for Indian citizenship; the Konkani speakers by Hindu monks demanding a ban on cow slaughter.

In the early 1990s, Guha relates, the tents were summarily dismantled by the Rao government, 'worried about the impression made on foreign visitors by such open expressions of dissent'. But the protesters regrouped a mile away, by a busy shopping street. In 1998 the police once again demolished the shanties, but as *The Statesman* reported, 'only the venue has changed—the problem persists. The squatters are merely to be shifted to an empty plot at the Mandir Marg-Shankar Road crossing, where they are likely to draw less attention.' Both the vitality and tenacity of the protesters, and the predictability of the police *lathi*-charges, are equally telling about Indian democracy today. Welcome as *India after Gandhi* is for its initiation of a new field of contemporary historiography, one is left half-yearning for the book Guha did not write.

Boris Groys, *Art Power*

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BARRY SCHWABSKY

## POST-COMMUNIST AESTHETICS?

Boris Groys made a strong impression with his first book, *Gesamtkunstwerk Stalin* (1988)—but more so with its publication in French and English, as *Staline, Œuvre d'art totale* (1990) and *The Total Art of Stalinism* (1992), than with its German original. This belated impact undoubtedly has something to do with the larger role of English and French than of German as languages for the diffusion of discourse on art, but of course it has even more to do with the world-historical changes that had taken place in the intervening years; after the dissolution of the Soviet Union it became easier to read with equanimity a book showing Stalin as a kind of artist. And yet there is still a third reason why the book could be received differently in 1992 than in 1988: the entry of unofficial and conceptual Soviet art into the Western art system—thanks, of course, to the same processes that led to the dismantling of the USSR—but also, to a certain extent, that of Stalin-approved Socialist Realism; shortly after statues of Lenin were toppled all across Eastern Europe, exhibitions of official Soviet art began to appear in venues whose programmes normally reflect a taste for modern and postmodern avant-gardes: the Museum of Modern Art, Oxford, in 1992; the P.S.1 gallery, New York, in 1993; the Kassel Documenta Hall, in 1993.

There had occasionally been exhibitions of unofficial Soviet art in the past, primarily drawn from the collections of Westerners who had managed to smuggle it out of the country. Only around 1986 did state-approved exhibitions of it become possible. Soviet artists were quickly swept up by the Western art market and in 1988 Sotheby's held its initial Moscow auction. Writing in 1990, on the occasion of the first major American museum exhibition of Soviet conceptual art, one of its curators, David Ross, observed that

'Moscow in July of 1988 had a smell of land-rush fever to it, as a literal horde of American and European art dealers, collectors, journalists and carpet-baggers descended on Moscow for the auction.' Whether this gold-rush ever amounted to a genuine reception of nonconformist art remains dubious. Certainly few of the artists whose works sold for astronomical prices twenty years ago are still considered major figures internationally. Nonetheless, an acquaintance with this art remains the best preparation for understanding Groys's work, both in *The Total Art of Stalinism* and since, despite the fact that it is not the subject of that book.

That a certain art became known as unofficial or nonconformist can be misleading if it is taken to imply that its makers were 'dissidents' in the sense that one uses the word of writers and activists like Andrei Sakharov or Alexander Solzhenitsyn. They were not primarily protesting against a despotic order. Soviet conceptual art (and literature) faced social and political realities with neither dissent nor assent, but with an uncanny neutrality that endows its best works with a disquieting air of paradox. In this neutrality—evident in such well-known paintings as Erik Bulatov's *Brezhnev in Crimea*, 1981–85, or Komar & Melamid's *I Saw Stalin Once When I Was a Child*, 1981–82 (produced after their emigration to the United States, and now in the collection of MoMA, New York)—it is actually closer to the mainstream of American pop art than to the conceptual art with which it shares a name. Pop, the art that drove the critics of the early 1960s to demand whether one was supposed 'to regard our popular signboard culture with greater fondness or insight now that we have Rosenquist? Or is he exhorting us to revile it—that is, to do what has come naturally to every sane and sensitive person in this country for years?' One can easily imagine a follower of Solzhenitsyn reacting similarly to a painting by Bulatov, just as an admirer of the Russian avant-garde of the early twentieth century would wonder if Bulatov means the viewer to esteem or to revile his stylistic models in the work of Socialist Realist painters of the 1920s and 1930s like Isaak Brodsky and Alexander Gerasimov. And today, as Groys points out in his new book of essays, *Art Power*, 'in Russia, the former dissident culture is dismissed for still being "too Soviet".'

It is precisely this kind of sphinx-like neutrality that Groys displayed toward 'his' Stalin. Asserting that 'Stalinist poetics is the immediate heir to Constructivist poetics' insofar as it 'satisfied the fundamental avant-garde demand that art cease representing life and begin transforming it by means of a total aesthetic-political project', Groys contradicted every standard interpretation of Soviet art history. Yet he was hardly, as it seemed to some readers at the time, denigrating the utopian aspirations of the Russian avant-garde any more than he was extolling the author of the Great Purge as a model artist. The effect of his argument was to undermine the Manichean legend

of heroic avant-gardists defeated by dictatorial power and contest the belief, still unquestioningly asserted by textbooks today, that Socialist Realism 'conflicted profoundly with the already existing practices of the Soviet avant-garde' and was merely

a historically and geopolitically specific variant of the universally prevailing antimodernist tendencies of the late twenties and thirties: the *rappel à l'ordre* in France, Neue Sachlichkeit in Germany, Nazi painting in the Third Reich, fascist neoclassicism in Mussolini's Italy, and the various forms of social realism in the United States.

Groys, by contrast, denied that Socialist Realism was inherently alien to the revolutionary energies of Soviet avant-garde art. Instead he argued that it took from the avant-garde a sense of the aesthetic as a total project for the formation of society.

This sense of the aesthetic was a subject of fascination for the Soviet conceptualists of the 1970s—though in the absence, in their case, of any alliance with a power offering any possibility of realizing such a project—and Groys's work can for this reason be seen as an offshoot of theirs. It is not surprising, therefore, that the roots of his project are not in academic art history or aesthetics. Born to Russian parents in Berlin in 1947, he grew up in Leningrad and studied mathematical logic at Leningrad State University before becoming a research fellow in the Department of Structural and Applied Linguistics at Moscow State University. He emigrated to Germany in 1981 and gained a PhD in Philosophy at the University of Munster (he has since gone on to teach in Karlsruhe and New York). His connection to art was forged through a direct involvement in the underground art and literary scene, dating back to his student years in Leningrad. 'I liked the art of Kabakov, Bulatov, Prigov and some other unofficial artists', Groys has said, 'and began to write about them—partly because nobody else did at that time'. To understand that Groys is as much an artist as a theorist (let alone a historian) goes some way toward explaining why the apparent faults of his intellectual style—the weakness for breathtaking generalizations immune to empirical validation, the self-contradictions he always seems to resolve by sleight of hand into shrewd paradoxes, the florid originality—have their uses: he is a straightfaced comedian, a sophist whose aim is more to jar the reader's preconceptions than to replace them with more securely founded views.

Since *The Total Art of Stalinism*, Groys has continued to publish regularly in German—principal works have included *Über das Neue* (1992), *Topologie der Kunst* (2003) and *Die Kunst des Denkens* (2007)—as well as, more recently, to produce essays in the form of video. Many of his books have been translated into French and other languages, but except for scattered

essays, most of his subsequent writings have been unavailable in English, the exception being *Ilya Kabakov: The Man Who Flew into Space from His Apartment* (2006), a brief but trenchant essay on one of the artist's key early installations. *Art Power* gathers fifteen previously published essays dating from 1997 onward. While this collection hardly makes up for the absence in English of Groys's more substantial works, it offers a taste of their style and glimpses of their content. Even in small doses, it becomes clear that he remains one of the more intriguing if sometimes infuriating thinkers in the contemporary art world.

The essays in *Art Power* are grouped into two untitled sections, the first mainly dealing with the contemporary Western art system and its institutions: the museum, criticism, curating and so on—themes treated at greater length in *Über das Neue*. The second group of essays follows up instead on questions related to *The Total Art of Stalinism* and *Das kommunistische Postskriptum*: art, power and their alliance in the projected creation of a new world. Despite their miscellaneous origin, each of the two sets of essays has a clear implicit argument. In the Western art system, as Groys explains in the first part of the book, there reigns a 'logic of aesthetic equal rights'—anything, after Duchamp, can be an artwork—and yet differences in artistic value are still pertinent. The reason is that 'good artwork is precisely that work which affirms the formal equality of all images under the conditions of their factual inequality.' It is the museum, he explains, that makes this possible, as the site where observers can learn to discriminate among images as historical phenomena—something that the open market and mass media are unable to do. Museums do not just conserve the past; they effectively generate the new by allowing it to emerge from the background of familiarity. The museum cannot predict the appearance of the new but 'shows what it must not look like'. Yet because the newness of art emerges from a process of comparison and differentiation, the work of art can never be revealed in its full presence; art is understood to be something essentially unrepresentable and art objects tend to become documents of art. Only the installation of the work gives it 'the here and now of a historical event'—'If reproduction makes copies out of originals, installation makes originals out of copies.' This phenomenon reaches an extreme in the case of digital imagery, where the underlying information is sublimely invisible. 'So we can say: the digital image is a copy—but the event of its visualization is an original event.'

Eventually, of course, the newness of new art fades and becomes simple difference—difference from all the other works that share space in the museum of things that need not be redone. 'The need then emerges to replace the old new with the new new, in order to restore the romantic feeling of the infinite real'—the real being everything outside the museum. Ordinary things become different when they enter its portals; one thinks

of Arthur Danto's phrase: it is the place where the 'transfiguration of the commonplace' occurs. In Groys's formulation, 'the museum provides the possibility of introducing the sublime into the banal. In the Bible, we can find the famous statement that there is nothing new under the sun. That is, of course, true. But there is no sun inside the museum.' The market, unlike the museum, is based on a logic of difference that does not aim at the new. Presumably this is why, as Groys notes, the 'museum value' of a work need not correspond to its market value.

In essence, what the museum provides is a space of disinterested contemplation such as aesthetics has always called for. Contemporary mass media have nothing to do with this, but in a different way, neither do the arts of totalitarian states such as the Soviet Union. Today, through the media, 'terrorists and warriors themselves are beginning to act as artists', as Groys says in the second part of *Art Power*. 'Video art especially has become the medium of choice for contemporary warriors . . . The act of war coincides with its documentation, with its representation.' Likewise, 'politically explosive problems are ignited almost exclusively by images': Danish cartoons, for instance. But the new warrior art has taken its cues, not from the traditional aesthetic glorification of the conqueror, but from the modernist cult of destructiveness, cruelty and disfiguration. There remains, however, an important difference between the contemporary artist-warrior and the modernist artist: in place of the critique of representation conducted by the latter, the former 'tries to create images that have a claim to be true or real—beyond any criticism of representation'. The artist is fundamentally iconoclastic and the warrior, an iconophile.

The theme of an art that would no longer be a form of representation, but of action, re-emerges in the essay, 'The Hero's Body: Adolf Hitler's Art Theory'. Hitler called for an art that would not simply represent heroism, but would produce heroic individuals. 'The ultimate artwork' is 'the viewer whom the heroic politics makes into a member of the heroic race. The true art of politics is, for Hitler, the art of the continuous production of heroic bodies.' Similarly, Stalinist culture inherited the fundamentally modernist desire to break with any actually existing public in order to form a new one, as Groys emphasizes in 'Educating the Masses: Socialist Realist Art'. Contrary to Clement Greenberg's assertion in 'Avant-Garde and Kitsch' (1939) that the Soviet Union encouraged 'kitsch' because that was what pleased the masses, Groys asserts that, given the absence of a market in which the artwork had to prove itself, 'the actual tastes of the masses were completely irrelevant to the art practices of Socialist Realism, more irrelevant, even, than they were to the avant-garde.' Despite the conservative appearance of Socialist Realist art, it was part of a project 'in many ways more radically modern in its rejection of the past' than anything envisaged by the West and its cult of

creative destruction, à la Schumpeter. Thus the dismantling of the Soviet Union and its culture is experienced as a progression from the future to the past. 'Post-Communist life is life lived backward, a movement against the flow of time.' Western mass culture, too, creates artificial communities without a past—'the source of their enormous potential for modernization, so often overlooked'—but gives little scope for these temporary communities to recognize themselves as such.

It is often held that artistic forms and positions have political implications, but Groys's emphasis falls on something that is far more rarely noticed, and if there is an essential point to take away from his work it is this: that political forms have aesthetic implications and are dependent on them. 'Radical politics', writes Groys,

cannot be dissociated from a certain aesthetic taste—the taste for the universal, for the zero degree of diversity. On the other hand, liberal, market-oriented politics is correlated with the preference for diversity, difference, openness and heterogeneity. Today, the postmodern taste still prevails. Radical political projects have almost no chance today of being accepted by the public because they do not correlate with the dominant aesthetic sensibility.

If we could only learn to love the grey, monotonous and overwhelming Soviet architecture of the 60s, we could still become Communists.

Groys never tells whether he thinks we should reclaim the austere aesthetics of Soviet Communism, merely observing that it is possible that we could, though to do so would entail falling out with the polymorphous aesthetic of liberalism to which we are accustomed. What are the politics of Groys's own terse and paradoxical style? Dialectical materialism as propounded by Stalin, on his account in *Das kommunistische Postskriptum*, is paradoxical thinking *par excellence*, since it must always embody both the unity and conflict of opposites: 'a deviation was not defined as such on the basis of the position taken, but on the basis of the refusal to consider equally true the contrary of what it affirmed.' Unwilling to call himself a Marxist, let alone a Stalinist, Groys nonetheless attributes to the dictator something like his own gnomic manner of thinking. The essential unresolved question behind Groys's work would appear to be that of the inability of the putatively universalizing aesthetic of the expansive and happily pluralistic capitalist market to incorporate, along with everything else, the totalizing aesthetic of a closed order committed to a radical project.

Groys bluntly states that his aim in *Art Power* is 'to find more space . . . for art functioning as political propaganda'—that is, for the art of revolutionary movements and totalitarian societies. However, his interest in such art is primarily historical, if not nostalgic. When he encounters any form of image-making that fulfills such a function in the present—not, of course,

the politically topical art that arises as one of the multiplicity of possible positions within the pluralistic field of the global contemporary art market, but in, for instance, terrorist videos of beheadings or their Western counterparts, the images from Abu Ghraib—he must concur with the consensus that denies such things can be contemplated as art. This is not only because of ‘all the ethical and political considerations and evaluations’ which ‘are more or less obvious’, or even because there is no artistic author-function at work within such images, but also because of their lack of self-criticality. One can only agree. But in view of Groy’s seductive vision of an art that would reject all present reception in favour of an implacable idea of the future, it is somehow disappointing that he never really takes a position that would earn him a burning at the stake. Admittedly, his swerves away from danger are always eminently logical, even virtuosically so. Groy possesses a genius for brilliantly provocative formulations whose upshot usually turns out to be less shocking than one had thought it would be. This is not to deny that he is one of the most astute commentators on the art scene today but to show how difficult it is, in this context, to move from the desire for radicality to its attainment.





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## PERRY ANDERSON: A New Germany?

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## SLAVOJ ŽIŽEK: Begin from the Beginning

Mountaineering lessons from the Bolsheviks' master strategist provide a metaphor for regroupment in hard times. Slavoj Žižek identifies the principal antagonisms within contemporary capitalism, as the basis for positing anew the 'communist hypothesis'.

## ALAIN SUPLOT: Possible Europes

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## LEO PANITCH & MARTIJN KONINGS: Myths of Deregulation

Contrary to mainstream diagnoses blaming the current financial crisis on a retreat of the state, Leo Panitch and Martijn Konings trace the active interventions that have shaped US finance and yoked working-class America to the discipline of debt.

## ROBERTO SCHWARZ: Brecht, Then and Now

In what ways does Brecht's drama—and the world-transforming impulse behind his strategies of defamiliarization—speak to times and places other than his own? Ups and downs of his resonance in Brazil and beyond, shadowing the movements of history's leading edge.

## CHIN-TAO WU: Biennials without Borders

Against claims for a de-territorialized, fully globalized art world, Chin-tao Wu measures the stubborn realities of continued Western dominance. Birthplace and residence of art-festival participants as indices of enduring hierarchy.

## IMMANUEL WALLERSTEIN: Re-reading Fanon

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R. TAGGART MURPHY on Graham Turner, *The Credit Crunch*. Origins of the financial crisis in the global squeeze on labour, and the example of Japan's lost decade.

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PERRY ANDERSON

## A NEW GERMANY?

**I**N THE INTERNATIONAL clamour that has surrounded the onset of the current economic crisis, Germany has often appeared the still centre. Yet such seeming passivity belies the enormous structural changes that the country has undergone since the fall of the Wall. Polity, economy, culture and society have been subject to acute, often contradictory pressures. It is barely a decade since the federal capital was relocated, 300 miles to the east; less than that since the D-Mark disappeared and Germany assumed its dominant position within the eurozone. Politically, a new post-unification landscape began to emerge only with the elections of 1998, when fatigue with Helmut Kohl's 16-year reign, broken promises in the East and, above all, slow growth and stubbornly high rates of unemployment ushered in a Red-Green coalition. No attempt to track Germany's current direction can avoid consideration of these subterranean shifts.

### I. POLITICS

In 1998, Gerhard Schröder's most prominent single pledge had been to halve the number of jobless within his term of office. How was this to be done? Oskar Lafontaine, the popular SPD chairman installed as Finance Minister, had no doubts: reanimation of the German economy depended on scrapping the deflationary Stability Pact that Bonn had imposed as a price for monetary union, and boosting domestic consumption with counter-cyclical policies along Keynesian lines. After a few months of frustration, he was overboard.<sup>1</sup> Schröder, relieved to be shot of a rival, opted for orthodoxy: balancing the budget came first. Lafontaine's successor, Hans Eichel, became a byword for wooden, if far from successful, devotion to the task of consolidating public finances. Tax cuts, when they came, were for capital not labour, assisting corporations

and banks rather than consumers. Growth did not pick up. When the SPD–Green government faced the voters again in 2002, its economic record was in effect a wash-out. Schröder had boasted he would reduce unemployment to 5 per cent. As the coalition went to the polls, it was just under 10 per cent. A scattering of modest social reforms, the most significant a long-overdue liberalization of the rules for naturalization, had done little to offset this failure.

Externally, on the other hand, the coalition enjoyed a less constrained field of operations. Within a year of coming to power, it had committed Germany to the Balkan War, dispatching the Luftwaffe to fly once again over Yugoslavia. Presented as a vital humanitarian mission to prevent another Holocaust on European soil, German participation in Operation Allied Force was greeted with all but unanimous domestic applause: by Centre-Right opinion as robust proof of the recovered national self-confidence of the country as a military power, by Centre-Left as an inspiring example of international conscience and philanthropy. In the media, the decisive conversion of the Greens to military action was the occasion for particular satisfaction. Two years later, the Bundeswehr had left Europe behind to play its part in the occupation of Afghanistan; a suitable regime for that country was fixed up between interested parties in Bonn, and a German general was soon in command of allied forces in Kabul. This expedition too met with general approval, if—a remoter venture—less active enthusiasm among voters. Germany was becoming a normal force for the good, as responsible as any other power in the democratic West.

In public standing, this transformation stood Red–Green rule in good stead. It made Fischer, its most profuse spokesman, the most popular politician in the land. But this was a position Foreign Ministers in the Bundesrepublik, usually representing smaller parties, had long enjoyed, as pastors of the nation's conscience—not merely the interminable Hans-Dietrich Genscher, but even the imperceptible Klaus Kinkel possessing the same esteem in their time. Nor, of course, did loyalty to NATO distinguish government from opposition. Prestige in performance abroad is rarely a substitute for prosperity at home, as figures on a larger scale—Bush Senior or Gorbachev—discovered. Heading into the elections in

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<sup>1</sup> The immediate background to Lafontaine's exit lay in a violent, national and international, press campaign against him: Joachim Hoell, *Oskar Lafontaine. Provokation und Politik. Eine Biographie*, Braunschweig 2004, pp. 197–205.

2002, the SPD–Green coalition was far behind the CDU–CSU in the polls. The Christian Democrats had been seriously damaged by revelations of Kohl's long-standing corruption—the party was extremely lucky these emerged after he had ceased to be ruler, rather than while in office.<sup>2</sup> But the solidarity of a political class, few of whose houses were not also built of glass, ensured that, as elsewhere in the West, the incriminated was never prosecuted, let alone punished; the waters rapidly closed over the episode without much benefit to the Social Democrats. With the economy still floundering, the opposition looked primed for victory.

In the summer of 2002, however, the countdown to the invasion of Iraq, signalled well in advance, altered the atmosphere. Regime change in Baghdad, however welcome a prospect in itself, clearly involved bigger risks than in Belgrade or Kabul, making public opinion in Germany much jumpier. Sensing popular apprehension, and fortified by the reserve of France, Schröder announced that Berlin would not join an attack on Iraq even—Habermas was scandalized—if the UN were to authorize one. Fischer, devoted to the previous American administration, was reduced to muttering assent in the wings, while Christian Democracy was caught thoroughly off-balance—unable to back Washington openly, yet unwilling to fall into line behind the Chancellor. Schröder's advantage was complete: this time, German pride could sport colours of peace rather than war, and to boot, the opposition could not share them. It only remained for the biblical intervention of a flood in the East, when the Elbe burst its banks, permitting a well-televised display of hands-on energy and compassion, to put him over the top. When the votes were counted in September, the SPD had a margin of 6,000 over the CDU–CSU, and the coalition was back in power with a majority of three seats in the Bundestag.<sup>3</sup>

Once banked electorally, public opposition to the attack on Baghdad could recede, and discreet practical support be extended to the American war effort, German agents providing undercover identification of targets for

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<sup>2</sup> For financial and political details of Kohl's malfeasance, see Edgar Wolfrum, *Die gescheiterte Demokratie*, Stuttgart 2006, pp. 477–8.

<sup>3</sup> While traditional contrasts in former West Germany between an SPD North and CDU–CSU South were accentuated, the principal novelty of the vote was its gender distribution, women for the first time favouring the SPD over the CDU–CSU by virtually the same margin—some 4 per cent—as men preferred Christian to Social Democrats. For the data, see Dieter Roth, 'A Last-Minute Success of the Red–Green Coalition', *German Politics and Society*, vol. 21, no. 1, Spring 2003, pp. 49–50.

Shock and Awe. In Europe, the occupation—as distinct from invasion—of Iraq was anyway soon accepted as an accomplished fact, losing political salience. But Schröder was careful to maintain the entente with Chirac he had formed during the run-up to the war, gratifying the Elysée both economically and politically, by conceding an extension of the Common Agricultural Policy and continued French parity with Germany in the weighting arrangements of the Treaty of Nice. Close alignment with France was, of course, traditional German policy since the days of Adenauer. For Schröder, however, it now afforded cover for overtures to Russia that were precluded when the USSR still existed, and might otherwise have been suspect of a second Rapallo. Warmly supported by German business, enjoying lucrative contracts in Russia, Schröder's friendship with Putin—'a flawless democrat' in the Chancellor's words—met with a cool reception in the media. Geopolitically, the growth of ties between Berlin and Moscow was the most significant novelty of Schröder's tenure. But politically, it counted for little at home.

### *Liberalization*

There, as his second term began, the economic problems that had originally elected him remained apparently intact. Aware how narrowly he had escaped punishment for failing to deal with them, and goaded by criticisms in the press, Schröder now decided to bite the neo-liberal bullet, as authorized opinion had long urged him to.<sup>4</sup> In the autumn of 2003, the Red-Green coalition passed a package of measures, dubbed Agenda 2010, to break the much decried *Reformstau*—blockage of needed improvements—in the Federal Republic. It comprised the standard recipes of the period: cutting the dole, raising the age of retirement, outsourcing health-insurance, reducing subsidies, abolishing craft requirements, extending shopping hours. German Social-Democracy had finally steeled itself to the social retrenchment and deregulation of the labour market from which Christian Democracy, throughout its long years in power, had flinched. Editors and executives, even if mostly wishing the Agenda had been tougher, were full of praise.

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<sup>4</sup> The standard view, expressed as an incontrovertible—foreign and domestic—consensus, could be found in the *Economist*: 'Most analysts readily agree on what is wrong with the German economy. First and foremost, the labour market is far too sticky. Second, taxes and social-security contributions are too high and profits too low. Third, and not unconnected, social security payments, pensions and health-care arrangements are too generous. And fourth, there is far too much red tape'. See 'A Survey of Germany', 5 December 2002, p. 10.

The SPD had, in fact, passed a more concentrated and comprehensive bout of neo-liberal legislation than New Labour, a much-invoked model, was ever to do. But the political landscape in which Agenda 2010 was introduced was not that of Britain under Blair. On the one hand, there was no Thatcherism in Germany for social-democracy to inherit—it had been forced to do the same originating job for capital itself, rather than simply extending it further in the same direction. On the other, the German working class and its organizations remained substantially stronger than in Britain. If trade-union density was comparable—less than a third of the workforce in either case—the DGB commanded significantly greater bargaining power, through traditional corporatist institutions of wage negotiation and co-determination, than the TUC; while the SPD itself, with over double the membership of New Labour, was far less hollowed out as a party. The result was twofold: the neo-liberal thrust of Agenda 2010, coming not from the radical right but a hang-dog centre, was inevitably much weaker than that of Thatcher's regime, while the resistance to it within a still—relatively—uncastrated labour movement was much stronger than among Blair's following.

Predictably enough, the neo-liberal turn, conducted without zest and received without enthusiasm, was something of a wash-out. For all its fanfare in the media, Agenda 2010 had minimal effect on the economy: even the most benevolent estimates could not attribute more than 0.2 per cent of additional GDP growth to it.<sup>5</sup> But its effect on the political scene was another matter. The final dose of the package, 'Hartz IV', cutting unemployment benefit—named after the human-relations chief of Volkswagen, a long-time intimate of Schröder in Lower Saxony, who designed it—was too bitter for the unions to swallow with good grace. Growing unrest in the base of the SPD, and limited breakaways from it in the Ruhr and elsewhere in the West, ensued. In the *Länder*, the party lost one election after another. As evidence of its unpopularity mounted, discontent with Schröder grew. Finally, in the spring of 2005, the SPD was routed even in its traditional stronghold of North Rhine-Westphalia, the most populous state in the federation, where its boss had been promoted to the Ministry responsible for framing Agenda 2010. Fearing to repeat the fate of Helmut Schmidt in 1981, repudiated by his own party for drifting too far to the right, Schröder decided on a pre-emptive strike, calling elections a year early, before he could be challenged.

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<sup>5</sup> 'The beguiling path of non-reform', *Economist*, 22 December 2007.

To do so he had to circumvent the Constitution, which forbade dissolution of parliament at the will of the Chancellor, by staging a fake vote of confidence from which his deputies were instructed to abstain, to ensure his own defeat. This transparent violation of the *Grundgesetz* received approval from the highest court in the land, in a graphic illustration of the limits of Germany's post-war legalism: since the leaders of both the SPD and the CDU, each for their own reasons, wanted to break the law, the judges accommodated them. Merkel, now heading the CDU-CSU ticket, could not wait to cash its lead—20 points ahead—in the opinion polls; Schröder could be sure the SPD had no choice but to rally to him. The contest that followed was fiercer than any since the attempt to bring down Brandt in 1972. By now the media, the *Frankfurter Allgemeine*, *Welt* and *Spiegel* leading the pack, were in full cry after Schröder, rounding on him for empty opportunism, and clamouring for a sharp break with the paralytic corporatism of the past. Egged on by the press, where she was hailed as the Thatcher the country needed, Merkel ran a stridently neo-liberal campaign, promising a society based on individual efforts and flat taxes, without mollicoddling. Schröder, seeing his chance, counter-attacked with brio, ridiculing her fiscal proposals and denouncing the new CDU as a threat to social solidarity.<sup>6</sup> So effective was his onslaught that by polling day Merkel's huge initial advantage had evaporated. When votes were counted, the CDU-CSU was ahead of the SPD by less than 1 per cent, with four seats more in the Bundestag, and no parliamentary majority even with its ally the FDP. Schröder had to step down; but to govern, Merkel had to form a Grand Coalition with his party.

## II. ECONOMY

Few greeted this outcome with much expectation. At best, it was generally held, if the two main parties had to share the onus of necessary

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<sup>6</sup> For Schröder's sense of the priorities of a statesman, see the self-portrait in his mistitled *Entscheidungen*, Hamburg 2006: 'For me an electoral campaign is the most interesting time in the life of a politician. I have taken part in countless campaigns, spoken in hundreds of town squares, shaken thousands of hands, given innumerable autographs. Certainly doing and shaping politics, reaching decisions, is the central task of a politician, his duty, so to speak. But for me the elixir is the electoral campaign, the direct encounter with voters, the competition and struggle for votes, the exchange of argument. Technocrats can also make decisions, journalists can also be know-alls; but politicians alone can and should conduct electoral campaigns': p. 496.

but unpopular measures, rather than being able to blame each other for them, liberal reforms had somewhat more chance of reaching the statute-book. At worst, conflicts between them could lead to still direr immobilism. In fact, however, beneath the political surface of polls and parties, deep structural changes had been underway, altering the parameters of rule. The unification of Germany had transformed the country, in two equally paradoxical ways. The long stagnation of the German economy, the central social fact of the years since 1989, is normally attributed in large measure, and not without reason, to the enormous costs of absorbing the former DDR—about \$1.3 trillion at the latest count, requiring massive exceptional taxation, diversion of investment from productive innovation to infrastructural and environmental reconstruction, and escalating public debt. Notoriously, Germany's lapse from grace was so drastic that the country which had originally gone out of its way to clamp the Stability Pact, forbidding any member-state to run a deficit of over 3 per cent of GDP, like a fiscal Iron Virgin onto Europe's Monetary Union, became itself the worst recidivist from it, violating its provisions six times in defiance of the Commission.

But in what seemed such a heavy burden to German capital also lay the conditions of its reinvigoration. For unification decisively weakened labour. When West German trade unions attempted to extend their organizations to the East, and uphold nation-wide wage rates comparable to those in the West, they encountered industries that were crumbling so fast, and workers so beaten by surrounding unemployment, that failure was more or less foreordained. But once the East could not be integrated into the traditional corporatist arrangements of *Modell Deutschland*, these inevitably came under increasing strain in the West too. Cheaper labour in the former DDR was soon overtaken by still lower wage costs in Eastern Europe, as the prospect and then reality of EU enlargement drew a growing volume of German investment into Slovakia, Hungary, the Czech Republic, Poland and elsewhere. Beyond these, in turn, lay outsourcing of plants to Asia, Latin America, the Middle East, driving the original wedge of unification yet further into the domestic economy, prising loose the labour market.

The result was a steep decline, not just in the numerical strength of German trade unions—membership of the DGB dropping from 11 million in 1991 to 7.7 million in 2003—but in their ability to resist unrelenting pressures from German capital. Real wages fell for seven

successive years, giving German firms an ever sharper competitive edge in high-end international markets. By 2004, Germany was once more—as it had been in the seventies—the world's leading exporter of manufactures. Such success was built, not on an outstanding performance in productivity—US gains were significantly greater in the same period—but on wage repression, as workers were forced to accept longer hours and less pay under threat of outsourcing, and domestic consumption remained flat. But with a swelling export surplus, investment increased and once the business cycle kicked up, growth at last accelerated in 2006, just as Merkel settled into office. By early 2008, unemployment had dropped by nearly two million. The serum of deregulation, injected from the East, seemed finally to have worked.

### *Backwash*

Yet, in a second and reverse paradox, the unification which transformed the economic constitution of the country, releasing a less inhibited, more ruthless capitalism, has shifted its political landscape in the opposite direction. For the vast sums poured into the East, though they modernized the fixtures and fittings of society—communications, buildings, services, amenities—failed to create any commensurate industrial prosperity or sense of collective dignity and equality within the Federal Republic. The DDR was shabby, authoritarian, archaic by the standards of Bonn. But in the shadow of the state, all were employed and still relatively equal. With annexation by the West, and rapid demolition of the larger part of its industrial park, carpet-baggers arrived and jobs disappeared. In the rest of the ex-Soviet empire, the immediate sequels to Communism were often harsher, as countries that were poorer to start with fell into their own patterns of dislocation and recession. But, not squeezed into the same instant compression-chamber of competition, they had more breathing-space for adjustment and reconversion; it was not long before their rates of growth were higher and rates of unemployment lower than those of the *neue Bundesländer*. This superior performance had not just economic, but sociological roots. In Poland, Slovakia or Hungary, the restoration of capitalism was accomplished by local political elites—typically a combination of ex-dissidents and former party functionaries on the make—who made sure its fruits went principally to them. However popular or unpopular they might be at any point in the electoral cycle, they were an integral part of the local society.



In East Germany, no comparable stratum emerged. There, top political, economic and cultural positions in the new *Länder* were rapidly dominated—indeed, often virtually monopolized—by an influx of Westerners. Thus although unification would raise overall living standards in the East, as even the jobless received Western-style benefits, capitalism was widely experienced as a colonization rather than self-promotion, let alone emancipation. Even where it brought material benefits, it was not appropriated as a native dynamic, but remained inflicted, a force still felt as substantially alien.<sup>7</sup> Had all boats risen in the same tide, as Kohl promised, this effect would certainly have been less. But the painful sense of a cashiered past—a life-world irretrievably devalued—was not just a subjective reaction to the consequences of unification. It had an objective reflexion in the demographic disaster that overtook the East in these years, as the old lingered, the young left, and the middle-aged were shelved. A population of 16 million in 1989 had collapsed to 12.5 million by 2008, and was set to fall further—perhaps much further—with the exodus of young women to the West. Between 1993 and 2008, no less than two-thirds of 18–29-year-olds born in the East had abandoned it.<sup>8</sup> In the DDR, a leading writer from the region has remarked, buildings rotted, but they contained people, who had work; now the buildings are brightly refurbished, and the people are dead or gone. A quarter of the housing stock is empty, and many a smaller centre of habitation, particularly in the north, risks becoming a ghost-town.

In these conditions, the one party to defend a certain memory and express a regional identity could scarcely fail to flourish. When Kohl fell, the PDS had a fifth of the vote in the East. When Schröder fell, it had a quarter, and was the second largest party in the region, a whisker

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<sup>7</sup> By 2003–04, those who identified themselves with the East still far outnumbered those who did so with Germany as a whole: Katja Neller, 'Getrennt vereint? Ost-West-Identitäten, Stereotypen und Fremdheitsgefühle nach 15 Jahren deutscher Einheit', in Jürgen Falter et al., *Sind wir ein Volk? Ost- und Westdeutschland im Vergleich*, Munich 2006, pp. 23–5. For some comparative observations on the outcome of unification in the ex-DDR, see Claus Offe, *Varieties of Transition. The East European and East German Experience*, Cambridge, MA 1997, pp. 148–58.

<sup>8</sup> See *International Herald Tribune*, 'In Eastern Germany, an exodus of young women', 9 November 2007. Demographically, Germany as a whole has one of the lowest rates of reproduction in the world. In the 2009 Federal elections, voters over the age of 50 will be as large a bloc as all other age-groups combined.

ahead of the CDU and not far short of the SPD.<sup>9</sup> Such growth was not uninterrupted, nor without setbacks: a drop in its vote in 2002, loss of office in Mecklenburg-Vorpommern, a sharp rebuff for its acceptance of social retrenchment in Berlin in 2006. Nor was the evolution of the party itself any linear progress. Its two most prominent leaders, Gregor Gysi and Lothar Bisky, withdrew for a period, after failing to persuade it that German troops needed to be available for military missions dispatched by the Security Council. Its members remained extremely advanced in years: three-quarters of them pensioners, more than half over seventy. In a sense, such severe limitations made the resilience of the PDS all the more remarkable.

### *A new Left*

What transformed a regional into a national force was the neo-liberal turn of the Schröder government. There were demonstrations all over Germany against Hartz IV, but the PDS mobilized the largest in its Eastern bastions, some 100,000 strong. In the West, the groupings based in the unions that broke away from the SPD formed a list that ran, without great success, in the next *Land* polls and wary discussion of some kind of cooperation between the two forces followed. It was Schröder's decision to call a snap election in 2005 that galvanized what might otherwise have been a protracted and inconclusive process. Running on a common platform as simply *die Linke*—‘the Left’—their combination took 8.7 per cent of the national vote, ahead of the Greens and not far short of the FDP, netting 54 seats in the Bundestag.<sup>10</sup> The catalyst for this success was Oskar Lafontaine, returning to the political scene as the leader of the Western wing of Die Linke. Hated for quitting Schröder's government even before its turn to the right, and feared for his tactical and rhetorical skills, Lafontaine was henceforward the *bête noire* of the SPD—a traitor who still undeservedly enjoyed national recognition, and could now encroach on its electoral base. So, in effect, it proved. In one

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<sup>9</sup> As successor organization to the DDR's ruling SED, the PDS was often dismissed in the early years after unification as simply the party of ‘Ostalgie’, dependent on the ageing functionaries and accomplices of a police state. In fact, more than any other post-Communist party in Eastern Europe, it succeeded in recasting itself as a lively radical movement.

<sup>10</sup> For the emergence of Die Linke, see Dan Hough, Michael Koss and Jonathan Olsen, *The Left Party in Contemporary German Politics*, Basingstoke 2007, pp. 134–53, a study also covering the evolution of the PDS under the Red–Green coalition.

*Land* election after another in the West, where the PDS had never been able to gain a foothold, Die Linke easily cleared the threshold for entry into the Assembly—Bremen, Hamburg, Lower Saxony, Hesse—with a variety of local candidates. More ominously still, national opinion polls gave Die Linke between 10 and 13 per cent of the electorate, making it potentially the third largest party.

Behind the rise of Die Linke has also lain the long-term decline of the two dominant parties of the Bonn Republic. In the mid-seventies the CDU-CSU and SPD commanded 90 per cent of the electorate. By 2005, their share had sunk to 70 per cent. Remorselessly, secularization and tertiarization have shrunk what were once the core electorates of each. Church-going Catholics, 46 per cent of the CDU-CSU vote in 1969, had plummeted to 12 per cent in 2005; unionized manual workers from 25 per cent of the SPD vote to just 9 per cent. Their memberships too have fallen steeply: the SPD from over 940,000 in 1990 to just under 530,000 in 2008; the CDU from some 750,000 to a fraction over 530,000—the first time it has surpassed its rival; the CSU, which has held up best, from 186,000 to 166,000.<sup>22</sup> After the war, under an electoral system that distributes seats in the Bundestag proportionately to the votes of any party with at least 5 per cent of the ballots cast, the formation of a government had usually required the participation of the FDP, which held the balance between the two blocs. With the emergence of the Greens in the seventies, this three-party system gradually became a four-way contest, making a government without the FDP possible for the first time in 1998, the Red-Green coalition.

The consolidation of Die Linke, were it to hold, would transform this political calculus, making it mathematically more difficult for any two-party combination to achieve the requisite majority in parliament, other than a Grand Coalition between Christian and Social Democracy along current lines. This has long been the normal formula in Austria, and might eventually become so, *faute de mieux*, in Germany. But the

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<sup>22</sup> See, respectively, David Conradt, 'The Tipping Point: the 2005 Election and the De-Consolidation of the German Party System?', *German Politics and Society*, vol. 24, no. 1, Spring 2006, p. 13; Hermann Schmitt and Andreas Wüst, 'The Extraordinary Bundestag Election of 2005', *German Politics and Society*, vol. 24, no. 1, Spring 2006, p. 34. For the data, see Table 1 in Oskar Niedermeyer, 'Parteimitglieder in Deutschland: Version 2008', *Arbeitshefte aus dem Otto-Stammer-Zentrum*, 13, Berlin 2008.

political traditions of the two countries are not the same. The institutionalized carve-up of positions in state and economy between Catholics and Socialists in the *Proporz* system, a reaction-formation arising from the experience of civil war in the Austria of the thirties, has never had a counterpart in the Federal Republic. Here grand coalitions, anyway liable to be destabilized by the cycle of competitive *Länder* elections, have always been regarded by both parties as abnormal makeshifts that encourage extremism on their flanks, to be wound up as soon as possible. In the sixties, it was the CDU that lost ground in the Grand Coalition, to the advantage of the SPD. Today it is the other way around, Merkel and her colleagues benefiting at the expense of a seemingly rudderless Social Democracy, as Schröder's departure left a divided party, tacking clumsily away from the centre to counter the rise of Die Linke, to the ire of its neo-liberal wing, without much to show for it electorally. With its ratings currently around a quarter of the electorate, depths never reached before in post-war history, the SPD faces the prospect of a structural crisis. For what unification has delivered is, in effect, a new political system.

### *Red-Red-Green?*

In the Berlin Republic, the combined forces of the SPD, Greens and Left have to date commanded a sociological majority that was never available to Social Democracy during the Bonn years: some 53 per cent in 1998, 51 per cent in 2002 and 2005, as against successively 41 per cent, 46 per cent and 45 per cent for the CDU, CSU and FDP. But this structural alteration of the underlying balance of forces in the country so far remains ideologically debarred from expression at federal level. The PDS and now Die Linke have been treated as beyond the pale of respectable partnership in national government, considered tainted by descent from Communism. In 1998 and 2002, the SPD and the Greens did not need the PDS for a majority in the Bundestag. But in 2005, Schröder ceased to be Chancellor only because of the taboo against forming a government with the support of the Left. Had the SPD and Greens been willing to do so, the three parties together would have enjoyed a robust parliamentary majority of 40. Since this combination remained unthinkable, the SPD was forced into the arms of the CDU-CSU as a junior partner, unsurprisingly to its detriment.

The record of the Grand Coalition has for the most part been an uninspired tale of wrangling over low-level social-liberal reforms as the

economic upswing of 2006–07 reduced unemployment and absorbed the deficit with increased tax revenues, before the country plunged into deep recession in late 2008. Merkel, presiding over a recovery that owed little to her tenure, and a depression no less beyond her control, has benefited from both, with ratings that far outstrip any potential SPD candidate for her post in 2009. But this popularity, probably as passing as any other, owes more to a carefully cultivated manner of unpretentious womanly *Sachlichkeit*, the staging of foreign policy spectacles—G8, Eurosummit—and the current fear of instability, than to any special reputation for domestic efficacy. In opposition Merkel occupied positions on the tough right of the political spectrum, supporting the invasion of Iraq and attacking welfare dependence. In power, though more anti-Communist than Schröder, and cooler to Russia, she has otherwise cleaved to the centre, leaving little to distinguish her incumbency from his. *Fortwursteln* remains the tacit motto.<sup>12</sup>

Trapped into a debilitating cohabitation, its poll numbers steadily sinking, as matters stand the SPD risks a crushing defeat in 2009. Attempts to stop the spread of Die Linke with a few social gestures—call for a federal minimum wage, restoration of commuter subsidies—have made little impression on the electorate. In desperation, the party's hapless chairman Kurt Beck—the fourth in five years—called for amendments to Hartz IV, as the heaviest albatross round its neck, before being ousted by the still strong SPD right, which has installed Schröder's long-term factotum, Foreign Minister Steinmeier, as its candidate for Chancellor. Beyond such floundering, younger office-holders have started to contemplate the unthinkable: coming to terms with the Left. The statistical logic of a Red–Green–Dark Red coalition, long theoretically plain, risks becoming more and more a practical torment for German Social Democracy. In Berlin, Klaus Wowereit has held the capital for the SPD in a compact with the PDS–Linke for seven years, without even Green support. But for political purposes, Berlin counts as part of the East, and its big-city profile anyway separates it from the rest of the country—Wowereit belonging to the phenomenon of the good-time mayor of the metropolis, strong on shows and happenings, less so on budgets or utilities, that has produced Livingstone in London, Delanoë in Paris, Veltroni in Rome. Its electoral

<sup>12</sup> For a lucid analysis of the systemic obstacles to the taking of radical measures by any German government to date, and a pessimistic forecast for the Grand Coalition, see Wolfgang Merkel, 'Durchregieren? Reformblockaden und Reformchancen in Deutschland', in Jürgen Kocka, ed., *Zukunftsfähigkeit Deutschlands*, Berlin 2007, pp. 27–45.

arithmetic is too atypical to offer any wider paradigm. More significant has been the debacle of the SPD in Hesse, where the local party leader Andrea Ypsilanti, after sternly promising not to make any deal with the Left, attempted to form a Red-Green government dependent for a hair-breadth majority on the support of Die Linke. With this, a step would have been taken whose implications escape no one. Once the taboo was broken in a Western *Land*, it could be replicated at federal level.

Between that cup and the lip, however, there remains a considerable distance. In part this is because, for the draught of an alternative coalition to be drunk—bitter enough, for the apparat of the party—the Greens have to be willing, too. But their days of counter-cultural insurgency are long over. Once ensconced in office in the Berlin Republic, they shifted further to the right than the SPD under Schröder, embracing market-friendly and NATO-proud policies that would have been anathema in the seventies. The party has become an increasingly tame prop of the establishment, its ranks filled with politically correct yuppies competing with the FDP as a softer-edged version of German liberalism. Fischer's own evolution, from bovver boy of the *Putz* faction of Revolutionary Struggle in Frankfurt to golden boy of Madeleine Albright, was an exaggerated version of this development. But his prominence as the Green talisman on the hustings, and consistent flattery in the media, meant that he could take the party further into a *Kaisertreu* Atlanticism than it might otherwise have gone.<sup>3</sup> With his departure, the party has showed signs of trying to row back from the Western adventure in Afghanistan, if only on seeing how unpopular it was becoming. Structurally, however, the party has altered sufficiently to be a possible partner in power with the CDU. A Black-Green coalition is already in place in Hamburg and, niceties of energy policy aside, much of the party is in many ways now ideologically closer to Merkel than to Lafontaine. How far its voters would accept a connubium with the Centre-Right is less clear, and the principal inhibition on such a scenario.

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<sup>3</sup> In the words of a satisfied historian: 'Joschka Fischer embodies the integrative achievement of Federal Germany's successful democracy: beginning as a rebellious streetfighter, he rose through various posts to the summit of the Foreign Office, where he won respect beyond partisan frontiers. Fischer marched so long through the institutions that he became an institution himself': Wolfrum, *Die gescheiterte Demokratie*, p. 479. For a more astringent portrait, see Michael Schwelien, *Joschka Fischer. Eine Karriere*, Hamburg 2000. Schwelien is a writer for *Die Zeit* who spotted in advance the likely successor to Fischer in his favourite, the 'eel-smooth' Cem Özdemir, current Green chairman: pp. 62, 65–6.

If the Greens dislike talk of a 'left bloc', the SPD is more divided, with younger figures like the party's deputy chair Andrea Nahles willing to toy with the prospect of such a combination in future. But its old guard, not to speak of the eager neo-liberal modernizers, both viscerally anti-Communist, remain appalled at the idea, and enjoy widespread intellectual support. For left-liberal historians like Hans-Ulrich Wehler and Heinrich August Winkler, the very thought of the SPD supping with the Stalinist Gysi and the renegade Lafontaine recalls nightmares of Weimar, when the party failed to see the need to abandon its Marxist illusions and forge a firm alliance with the Catholic Centre and moderate Liberals against the dangers of revolutionary extremism.<sup>4</sup> The press, naturally, brings its weight to bear in the same sense. In Hesse, the right of the party had no hesitation in torpedoing the prospect of an SPD government, preferring to hand power back to a Black-Yellow coalition—which won a crushing victory after Ypsilanti was ditched by her own second-in-command—rather than permit contamination by Communism. Would not the SPD in any case fatally lose the middle ground, if it were tempted to treat with the pariah to its left? Such arguments could paralyse the social logic of a realignment for a long time.

What, finally, of Die Linke itself? Like any hybrid formation, it faces the task of welding its disparate fractions into a political force with a common identity. Prior to the fusion, its PDS component had suffered a yet steeper attrition of membership—biologically determined—than the large parties, even as it increased its electorate. The ability of the new party to appeal to a younger generation across the country will be critical to its future. Programmatically, resistance to further deregulation of markets and erosion of social protections gives it a strong negative position. With positive economic proposals, it is not better endowed than any other contingent of the European left. In principle—even in practice, as the experience of Berlin shows—its domestic stance is not so radical as to rule out collaboration with it for the SPD. The sticking-point lies elsewhere, in Die Linke's refusal to underwrite German military operations in the Western interest abroad. This is where the real dividing line for the European political class is drawn. No force that refuses to fall in with the requirements of the Atlantic imperium—as the Greens in Germany did effusively, the PCF in France and Rifondazione Comunista in Italy morosely, to keep impotent junior ministries—can

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<sup>4</sup> For vigorous raising of this alarm, see Hans-Ulrich Wehler's intervention, 'Wird Berlin doch noch Weimar?', *Die Zeit*, 5 July 2007.

be regarded as *salonfähig*. Only acceptance of NATO expeditions, with or without the figleaf of the UN, qualifies a party as a responsible partner in government. It is here—the conflict over Gysi in the PDS can be taken as a prodrome—that the pressure of the system on Die Linke will be most relentlessly applied.

### III. SOCIETY

If the long-run effect of unification has been to unleash an antithetical double movement within Germany, shifting the economy effectually to the right and the polity potentially to the left, the interplay between the two is bound to be mediated by the evolution of the society in which each is embedded. Here the changes have been no less pronounced, as the landscape of the Berlin Republic became steadily more polarized. At the top, traditional restraints on the accumulation and display of wealth were cast to the winds, as capital markets were prised loose and Anglo-American norms of executive pay naturalized by German business. Schröder, slashing corporation and upper-bracket income tax, and rejecting any wealth tax, gave his own *enrichissez-vous* blessing to the process. Structurally still more important, by abolishing capital gains tax on the sale of cross-holdings, his government encouraged the dissolution of the long-term investments by banks in companies, and reciprocal stakes in firms, traditionally central to German corporatism—or in the consecrated phrase, the ‘Rhenish’ model of capitalism. In its place, shareholder value was increasingly set free. The first major hostile takeover, an operation hitherto unknown in Germany, came within a year of Schröder assuming power, when Vodafone seized Mannesmann. Hedge funds and private equity companies were soon pouring into the country, as banks and firms unloaded their cross-holdings. By 2006, foreigners had acquired an average of over 50 per cent of the free float of German blue-chip companies—the top 30 concerns on the DAX index.<sup>15</sup> In the opposite direction, German capital surged abroad, its volume of acquisitions level with inward investment, as more and more manufacturing moved off-shore to cheaper locations. Nearly half the total value-added

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<sup>15</sup> ‘The Coming Powers: How German Companies are Being Bound to the Interests of Foreign Investors’, *Financial Times*, 1 April 2005. Lower down, the *Mittelstand* remains traditionally patriarchal, with 94 per cent of all German companies family-controlled, some of them large concerns: ‘Legacies on the Line’, *Financial Times*, 9 December 2008.



of German exports is now produced outside the country.<sup>16</sup> The business press had every reason for its satisfaction at *Kapitalentflechtung*, the unravelling of an older and more restrictive *Modell Deutschland*.

In these years, conspicuous among the expressions of the change was the emergence of a new breed of American-style managers with little time for sentimental talk of trade unions as partners or employees as stake-holders; downsizing in good years or bad, maximizing shareholder value without corporatist inhibitions, and rewarding themselves on a hitherto frowned-on scale. The emblematic figure of this transformation has been Josef Ackermann, imported from Switzerland to run the Deutsche Bank, the country's largest financial institution and currently leading forecloser of mortgages in the US. Embroiled in a prosecution for his role in the sale of Mannesmann, but a notable success in boosting profits and cutting staff, his salary was soon twelve times that of his famous precursor, Alfred Herrhausen, an intimate of Kohl assassinated in 1989. At €14 million a year, this is still only a fraction of the earnings of the best-paid US executives, but a sufficient alteration of scale to attract wide public comment.<sup>17</sup> Younger bosses in the same mould at Siemens, Daimler-Benz, Allianz and the like aspire to similar levels of remuneration. Below, the growth of long-term unemployment and joblessness—often immigrant—youth have created a corresponding underclass of those beneath the official poverty line, reckoned at about a fifth of the population. This too has aroused considerable public discussion, as a running sore—perhaps lurking danger—unknown to the Bonn Republic. Avarice at the top, abandonment at the bottom: neither comfort the self-image of a socially caring, morally cohesive democracy enshrined in the post-war consensus.

So far, the increasing inequality they promise remains moderate enough, by Anglo-American standards. Gated communities are still a rarity. Slums, where immigrants—now about one in five of the urban population—are most concentrated, may be coming into being. But ghetto riots have yet to break out. Comparatively speaking, German capitalism continues to be less starkly polarized than many of its competitors. But the trend, as elsewhere, is clear enough—between 2003 and 2007, corporate profits rose by 37 per cent, wages by 4 per cent;

<sup>16</sup> 'Why Germany is Again the Engine of Europe', *Financial Times*, 29 March 2007.

<sup>17</sup> Rainer Hank, 'Angelommen im Globalen Kapitalismus. Die Manager der Berliner Republik', *Merkur*, 689–690, September–October 2006, p. 909.

among the quarter of lowest-paid workers, real wages had actually dropped by 14 per cent since 1995.<sup>18</sup> Less typical is popular perception of these changes. The Bonn Republic was famous for the Americanism of its official outlook and cultural life, possessing the political establishment and intellectual class most loyal to Washington in Europe, steadfast in its 'unconditional orientation to the West', in Habermas's ardent phrase. Much of this was the reflex subservience of the defeated, as—consciously, or unconsciously—tactical and temporary as in other such cases. But there was always one striking respect in which West Germany after the war did resemble, more than any other major European society, not in self-delusion but reality, the United States. This was in the relative absence of a traditionally stratified hierarchy of social class in the country. The two national patterns were, of course, not quite alike; still less was that absence absolute. But in certain respects a family resemblance obtained all the same.

The reason lies in the fall of the Third Reich, which took down with it so great a part of the elites that had colluded with Hitler. The loss of East Prussia and Silesia, and the creation of the DDR, destroyed the bulk of the aristocratic class that had continued to loom large, not least in its domination of the armed forces, during the Weimar Republic.<sup>19</sup> The industrial dynasties of the Ruhr were decapitated, Krupp, Thyssen and Stinnes never recovering their former positions. Individual survivors of these formations—a Dönhoff or Lambsdorff; a Porsche or Mohn—could make careers or rebuild businesses after the war. But collective identity and power were decisively weakened. West Germany, bourgeois enough by any measure, felt relatively classless, because in that sense topless. Even today, if one compares its elites to those of Britain, France or Italy, which survived the war more or less intact, it is much less clear how they are recruited: no public schools, no *grandes écoles*, no clerical preferment. Indeed, in that respect the Bundesrepublik appears more socially acephalous than the US itself, where Ivy League colleges have always provided a fast track to Washington or Wall Street, and the Gini coefficient is anyway far higher.

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<sup>18</sup> 'Berlin to Boost Share Ownership', *Financial Times*, 28 August 2008; and 'Politicians Focus on Filling the Pockets of the Populace', *Financial Times*, 29 September 2008.

<sup>19</sup> For a panorama of aristocratic influence before the war, see Christopher Clark, *London Review of Books*, 9 April 2009.

But if the Bonn Republic lacked any clear-cut privileged stratum above, it contained labouring masses below with a far greater sense of their past, and position in society, than their counterparts in America. The German proletariat, historically a later arrival than the British, never developed quite the same cultural density, as of a world set apart from the rest of society. But if its collective identity was in that sense somewhat weaker, its collective consciousness, as a potential political actor, was nearly always higher. Though both are greatly diminished today, the German working class—less pulverized by de-industrialization, in an economy where manufacturing still counts for more; less demoralized by frontal defeats in the eighties—retains a practical and moral influence in the political system which British workers have lost.

In this configuration, in which the absence of long-standing elites enjoying traditional deference is combined with the presence of a—by no means aggressive, but unignorable—labour movement, the impact of sharpening inequalities and a more visible layer of managerial and other *nouveaux riches* has been significantly more explosive than elsewhere. Virtually everywhere in the world, opinion polls show a widespread belief that inequality has been increasing over the past decades, and that it should be reduced. They also show how few believe it will be. Passive resentment rather than active protest is the keynote. Redistribution has low electoral salience, where it acquires any at all. Germany looks like being the exception. There, public feeling has swung strongly against ongoing polarization of incomes and life-chances, forcing Merkel to toss a few sop to social solidarity, under pressure from the CSU and the labour component of her own party; and leading the SPD to attack hedge funds as locusts, and backtrack from Agenda 2010, even before the collapse of financial markets in 2008.<sup>20</sup> This was, above all, the context that enabled Die Linke to make such widespread gains, as the most egalitarian formation on offer. Here not just the residual strength of labour organizations in the West provided favourable terrain. The party also benefited from having the deepest roots of any in the East, where labour may be weak, but inequality is least accepted as the natural order of things. Its rise is all the more striking, of course, for running so clean against the trend of the period. But if Germany, before any other country in Europe,

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<sup>20</sup> In the summer of 2007, nearly three-quarters of those polled thought the government was doing too little for social justice, 68 per cent wanted to see a minimum wage enacted, and 82 per cent a return to retirement at the age of sixty-five: Thomas Schmidt, 'Demoskopie und Antipolitik', *Merkur* 709, June 2008, p. 532.

has thrown up a new force to the left of the established order, it is also because the theme of 'social injustice' has become, for the moment at least, a national argument.

#### IV. CULTURE

Of its nature, this is a discourse of division: some enjoy advantages that others do not, and there is no defensible reason for their fortune and our want. Elementary thoughts, but novelties in the establishment politics of the Federal Republic. There, the leitmotif has always been, and remains, consensus—the unity of all sensible citizens around a prosperous economy and a pacified state, without social conflicts or structural contradictions. No other political system in post-war Europe is so ideologically gun-shy, averse to any expression of sharp words or irreconcilable opinions; so devoted to banality and blandness. The quest for respectability after 1945, federal checks and balances, the etiquette of coalitions, all have contributed to making a distinctively German style of politics, an unmistakable code of high-minded, sententious conformism. This was not, of course, a mere ideological mannerism. It reflected the reality of a bipartisan—Christian and Social Democratic—convergence on a corporatist model of development, designed to square all interests: naturally, each according to their station, or *Mitbestimmung* writ large, as a charter for social harmony.

This consensus is now, for the first time since the late sixties, under serious pressure. From one direction, demands for social justice risk splitting the fictive unity it has cultivated. The received name for this danger, abhorrent to every self-respecting pundit and politician, is populism—incarnate in the demagogue Lafontaine. It threatens the legacy of Bonn from the left. But the same consensus was also under pressure from an opposite direction. This came from opinion attacking it in the name of liberalism, and calling for a new paradigm of politics worthy of the move to Berlin. For these critics of the status quo, the vital spirit that post-war Germany always lacked is what Anglo-American societies have long possessed: a sense of individual liberty, suspicion of the state, faith in the market, willingness to take risks—the tradition of Locke, Smith, Jefferson, Ricardo, Mill and their successors.<sup>21</sup> Politically,

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<sup>21</sup> For a pungent version of this complaint from the chief editor of *Die Zeit*, see Josef Joffe, 'Was fehlt?', *Merkur* 689–690, September–October 2006.

the marginality of the FDP reflected the weakness of any such outlook in the Federal Republic. Even the nearest German equivalent after 1945, the Freiburg School of Ordo-Liberals—Eucken, Müller-Armack, Röpke—still had, for all their positive influence on Ludwig Erhard, too limited a vision of what a free society requires, as the capture of their originally anti-statist slogan of a ‘social market economy’ by the clammy corporatism of later years had shown. A more radical break with inveterate national reflexes, closer to the intransigent temper of a Hayek or Popper, was required.

This line of argument, hitting the post-war settlement at an unfamiliar angle, has been a development of intellectual opinion, distant from any obvious popular mood, but resonating across a wide band of the media. How significant is it politically? German tradition, famously, tended to separate the world of culture from that of power, as a compensation or sphere superior to it. In his recent study of *The Seduction of Culture in German History*, Wolfgang Iepenies convicts this inclination of a significant share of blame for the country’s surrender to authoritarianism, from the Second to the Third Reich, pointing in particular to the failure of so many German thinkers and writers to defend Weimar democracy; indeed, their often outright hostility or contempt towards it. In the post-war period, so this case goes, such attitudes gradually waned: ‘Germany’s special path eventually flowed into the mainstream of parliamentary democracy, the market and the rule of the law. Playing off culture against civilization no longer made much sense. It also no longer made much sense to think of culture as a substitute for politics.’ By 1949 Leo Strauss was complaining that German thinking had become indistinguishable from Western thought in general. Actually, Iepenies comments, in such assimilation lay ‘one of the great political success stories of the twentieth century’.<sup>22</sup> The temptations and delusions of Germany as *Kulturation* were eventually set aside for a sturdy adjustment to the everyday world of contemporary politics in Bonn.

From this perspective, there was a troublesome interlude around 1968, when students rejected the new normalcy under the influence of traditions now out of time—not necessarily of the same stamp as those uppermost between the wars, but in their way no less disdainful of markets and parliaments. However, such revolutionary fevers were soon

<sup>22</sup> Wolfgang Iepenies, *The Seduction of Culture in German History*, Princeton 2006, p. 128.

over, leaving behind only a mild counter-cultural *Schwärmerei*, eventually issuing into an inoffensive Greenery. Thereafter, the intellectual climate in the Federal Republic by and large reflected the stability of the political system. No culture is ever made of one piece, and cross-currents persisted. But if Kohl's long rule, as distinct from the system over which he presided, found few admirers, the cultural 'dominant' of the period could be described as a theoretical version of the practices of government, in more left-liberal register. The two emblematic thinkers of these years might indeed be said to illustrate, each in his own way, the validity of Lepenies's diagnosis, exhibiting the reconciliation of culture and power in a pacified German democracy. They shared, appropriately enough, a common American point of departure in Talcott Parsons's *Social System*—a work which nowhere else in Europe enjoyed such a reception.

Habermas's huge *Theory of Communicative Action*, which appeared in 1981, supplied an affirmative variation on Parsons, developing his idealist emphasis on value-integration as the basis of any modern social order into a still loftier conception of consensus, as not only the hallmark of a political democracy, but touchstone of philosophical truth. Niklas Luhmann offered a saturnine variant, radicalizing Parsons's account of differentiated sub-systems within society—economy, polity, family etc.—into a theory of their complete autonomization as self-reproducing, self-adjusting orders, without subjective agency or structural interpenetration, functioning simply to reduce the complexity of the environments outside them. Though less palatable to polite opinion, Luhmann's tacit construction of the Bonn Republic as a matter-of-fact complex of so many mechanisms of technocratic routine disavowed any critical intent. If Habermas told his readers that things could be as they should be—and, under the protection of the *Grundgesetz*, mostly were—Luhmann's message was dryer, but no less reassuring: things were as they had to be.

On the heights of social theory, these bodies of thought commanded the terrain. In history, the other discipline of greatest public projection, the scene was much more varied, with significant conservative figures and schools continuously active. But here too, the cutting edge of research and intervention—the 'societal' history associated with Bielefeld—was a left-liberal loyalism, critical of the Second Reich as an antechamber of the Third, and tracing the path of a reactionary *Sonderweg* that, in separating Germany from the West, had led to disaster. Here political emphasis fell on the contrast between a calamitous past and a transfigured present: the

Bonn Republic as everything that Weimar had not been—stable, consensual, faithful to the international community. As prolific as Habermas, a close friend from schooldays, Hans-Ulrich Wehler was no less active a presence in the public sphere, sustaining the values of the post-war settlement with a distinctive *tranchant* of his own. Still more pointed as instruction for the present was the work of Heinrich Winkler on the German labour movement between the wars, dwelling on the blindness of the SPD's failure to understand that compromise with parties of the bourgeois centre could alone save German democracy, as had thankfully been upheld since the war.

### *Rightist dissidents*

The hegemony of a left-liberal culture in essential syntony with the character of the political system—while always keeping a critical distance from its particular incumbents—was never exclusive. Powerful earlier bodies of writing, dating back to the interwar period, continued to circulate and exercise influence to other effects, less hospitable to the status quo. The Frankfurt School had been one of these, central in detonating the rebellion of the late sixties. Consensus was not a value dear to it. But once the hyper-activist turn of the revolt had passed, or was crushed, and the legacy of Adorno and Horkheimer had been put through the blender of Habermas's philosophy of communication, little memory was left of the critical theory for which they had stood. Dissonance now increasingly came from the right. There could be found the still active figures of Heidegger, Schmitt, Jünger, Gehlen, all compromised during the Third Reich, each an intellectual legend in his own right. Of these, Heidegger, the best known abroad, was probably of least importance, his post-war reception greater in France than in Germany itself, where under American influence analytical philosophy gained entry early on; his runic ontology had only a narrow purchase on the political or social issues of the period, as one generically desolate vision of technological modernity among others.

The other three, all—unlike Heidegger—masters of a terse, vivid German prose, were of greater moment: Schmitt, the most ruthlessly brilliant, unstable mind of his generation, for his kaleidoscopic ability to shake sovereignty, law, war, politics into sharply new and unsettling patterns; Gehlen, for his uncanny sense of the closure of ideological and artistic forms in the 'crystallizations' of a *post-histoire*, and the

probability of student and guerrilla rebellions against it; Jünger, for the arresting arc of a trajectory from lyricist of a machine civilization to seer of ecological disaster. The calendars and areas of their influence were not the same, in part depending on their personal situations. Schmitt, institutionally the most ostracized, was intellectually the most consulted, constitutional lawyers flocking to his ideas early on.<sup>23</sup> Gehlen, who died much younger, was stylized as a counter-weight to Adorno. Jünger, who lived longest, regained the most complete *droit de cité*, ending up with every kind of honour, indeed decorated by Mitterrand. But, though never 'residual', in Raymond Williams's sense, the intellectual world such thinkers embodied could not compete with the post-war consensus as any kind of public doctrine. It was an alternative to the dominant discourse, inescapable yet peripheral, incapable of displacing it. Hegemony remained left-liberal.

Around the mid-eighties, there were the first premonitions of a change. Habermas's last great book, *The Philosophical Discourse of Modernity*, appeared in 1985. Intellectually, it was already on the defensive—a noble rescue operation to save the idea of modernity from the descendants of Nietzsche, from Bataille to Foucault to Derrida, who were darkening it once more into an ecstatic antinomianism. If the dangers Habermas discerned were principally French, it was not long before German sub-variants materialized. Peter Sloterdijk's *Critique of Cynical Reason*, greeted respectfully by Habermas himself, had set the ball rolling two years earlier: a bestseller born of a sojourn with the guru Bhagwan Rajneesh in Poona. Over the next twenty years, a torrent of sequels poured out, zig-zagging across every possible terrain of frisson or fashion, from psychotherapy to the ozone layer, religion to genetic engineering, and catapulting Sloterdijk to the status of talk-show host and popular celebrity—a Teutonic version, more whimsical and bear-like, of Bernard-Henri Lévy. The sway of communicative reason could hardly survive this triumph of public relations. Habermas's pupils, Albrecht Wellmer and Axel Honneth, have continued to produce honourable work, on occasion more radical in tenor than that of their mentor, of late increasingly preoccupied with religion. But the philosophical props of the peace of Bonn have gone.

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<sup>23</sup> Schmitt's juridical influence is documented in Dirk van Laak, *Gespräche in der Sicherheit des Schweigens: Carl Schmitt in der politischen Geistesgeschichte der frühen Bundesrepublik*, Berlin 1993; and his wider intellectual impact in Jan-Werner Müller, *A Dangerous Mind: Carl Schmitt in Post-War European Thought*, New Haven 2003, pp. 76ff, which, as its title indicates, extends beyond the German field itself.



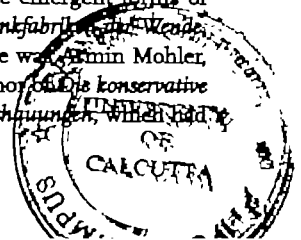
In the historical field, the story was different. There the mid-eighties saw a more direct assault on left-liberal heights, which was successfully repulsed, but marked a shift of acceptable opinion all the same. The *Historikerstreit* of 1986 was set off by Ernst Nolte's argument that Nazi atrocities were a reaction to prior Bolshevik crimes, and should not be treated as either unique, or as absolute definitions of the German past. This soon involved a wider group of conservative historians, making less extreme claims, but in the eyes of their critics—Wehler and Habermas among them—nonetheless not only palliating the criminality of the Third Reich, but undermining the necessary centrality of the Judeocide to the identity of post-war Germany, as memory and responsibility.<sup>24</sup> National rehabilitation was not to be had in this fashion. There could be no question who won this dispute. Soon afterwards, however, the tables were turned, when in their zeal to preclude any revival of national sentiment the leading lights of left-liberalism—Winkler, Wehler, Habermas—expressed their reserve or opposition to reunification of the country, even as it was plainly about to become a reality. However justified were their objections to the form it took, there was no concealing the fact that this was a transformation of Germany they had never conceived or wished for, as their antagonists had. Here too the dominant had dissolved.<sup>25</sup>

#### V. TROUBLE-MAKERS?

In the gradual change of intellectual atmosphere, one catalyst stands out. Since the war, Germany's leading journal of ideas has been *Merkur*, which can claim a record of continuous distinction arguably without equal in Europe. Its remarkable founding editor Hans Paeschke gave it an interdisciplinary span—from the arts through philosophy and sociology to the hard sciences—of exceptional breadth, canvassed with consistent elegance and concision. But what made it unique was the creed of its editor. Inspired by Wieland's encyclopaedism, Paeschke gave

<sup>24</sup> Habermas: *Eine Art Schadensabwicklung*, Munich 1987; Wehler: *Entsorgung der deutschen Vergangenheit?*, Munich 1988.

<sup>25</sup> Within a year of the *Historikerstreit*, there had appeared sociologist Claus Leggewie's knockabout tour through what he took to be the emergent forms of a new conservatism, *Der Geist steht rechts. Ausflüge in die Denkfabrik der Neorechten*, Berlin 1987. In this constellation, the most significant figure was Jürgen Mohler, secretary to Jünger and friend of Schmitt, famous as the author of *Die konservative Revolution in Deutschland, 1918–1932: Grundriss ihrer Weltanschauungen*, which had appeared in 1950, on whom see pp. 187–211.



the ecumenical range of his Enlightenment model a more agonistic twist, combining the capacity for *Gegenwirkung* that Goethe had praised in Wieland—who had published Burke and Wollstonecraft alike—with a *Polarisierung* of his own, as twin mottos for the journal. These remained the constants in *Merkur's* changeable liberalism—first conservative, then national, then left, as Paeschke later described its phases: an editorial practice welcoming opposites, and setting them in play against each other. 'The more liberal, the richer in tensions.'<sup>26</sup> At one time or another Broch, Arendt, Curtius, Adorno, Heidegger, Brecht, Gehlen, Löwith, Weizsäcker, Voegelin, Borkenau, Bloch, Schmitt, Habermas, Weinrich, Benn all appeared in its pages. Uninterested in the *Wirtschaftswunder*, hostile to the Cold War, regarding Adenauer's Germany as a 'pseudo-morphosis', Paeschke maintained good relations with writers in the East, and when the political scene changed in the sixties, was sympathetic to both the student revolt and the turn to an Ostpolitik. Averse to any kind of *Syntheselei*, he conceived the journal socratically, as a dialectical enterprise, in keeping with the dictum *Der Geist ist ein Wähler*.<sup>27</sup> Spirit is not a reconciler, but a trouble-maker.

Paeschke retired in the late seventies, and in 1984 the succession passed to Karl Heinz Bohrer, pre-eminently equipped for the role of *Wähler*. A student of German Romanticism, and theorist of Jünger's early work, Bohrer made his début in *Merkur* in 1968, with a defence of the student revolt against liberal attacks in the mainstream press, praising it as the expression, at its best, of an eclectic anarchism.<sup>28</sup> Not the Frankfurt School, he argued, but the French Surrealism that Benjamin had admired and Adorno dismissed, was the appropriate inspiration for rebellion against the detestable *juste milieu* of the Bonn system.<sup>29</sup> These were the sentiments of a writer who was soon making a name for himself as editor of the *feuilleton* section of the country's leading conservative newspaper, the *Frankfurter Allgemeine Zeitung*, before falling out with his superiors and being packed off as correspondent to London. A decade later, he returned to the charge in *Merkur* with a bravura survey of the fate of the movements of 1968—compared to those of 1848 and 1870–71—as

<sup>26</sup> 'Kann keine Trauer sein', *Merkur* 367, December 1978, p. 1180: Paeschke took the title of this beautiful farewell to the journal he had edited from Gottfried Benn's last poem, written a few weeks before his death, published in *Merkur*.

<sup>27</sup> 'Vorbemerkung', in *Merkur. Gesamtregister für die Jahrgänge I–XXXII, 1947–1978*, Stuttgart 1986, p. x. The phrase comes from Burckhardt.

<sup>28</sup> 'Die Missverständene Rebellion', *Merkur* 238, January 1968.

<sup>29</sup> 'Surrealismus und Terror', *Merkur* 258, October 1969.

uprising and counter-culture, covering politics, theatre, film, art, theory and music, and marking 1974 as the end of a revolutionary epoch in which Blake's tiger had stalked the streets. A mere restoration of 'old-bourgeois cultural piety' was no longer possible, but the new culture had by now lost its magnetism: only an artist like Beuys retained an anarchic force of subversion.<sup>30</sup> Bohrer's own deepest allegiances were to 'suddenness' as the dangerous moment, without past or future, in which true aesthetic experience ruptures the continuity of existence and so, potentially, the social fabric. Captured by Nietzsche, Kierkegaard, Hofmannsthal and Jünger—in their own way Woolf or Joyce, too—the sudden found its political expression in the decisionism of Schmitt.<sup>31</sup> The central figure in this pantheon, combining more than any other its aesthetic and political moments—epiphany and act—remained Jünger, the subject of Bohrer's *Ästhetik des Schreckens* (1978), the work that won him a chair in Modern German Literary History at Bielefeld.

On taking charge of *Merkur* soon afterwards, Bohrer opened his editorship in spectacular fashion, with a merciless satire on the petty-bourgeois philistinism, provincialism and consumerism of Bonn politics and culture, complete with a ruinous portrait of Kohl as the personification of a mindless gluttony.<sup>32</sup> This was a state, wanting all aesthetic form, that could only be described in the spirit of the early Brecht, or Baudelaire on Belgium. A three-part pasquinade on the German political class followed, depicting both the new-found CDU-FDP coalition and the SPD opposition to it with blistering derision.<sup>33</sup> Time did not soften these judgements. At the turn of the nineties, Bohrer unleashed another ferocious fusillade against German provincialism, in a six-part series covering government, literature, television, advertising, press, songs, stars, movies, cityscapes, and culminating in special scorn for delusions that the enthusiasm of his compatriots for Europe was anything other than a tourist form of the same parochialism. From the 'pastoral boredom' of *Die Zeit* and the *FAZ*, to the 'fussy sentimentalism' of Grass or Walser, to the grotesqueries of Kohl as 'Giant of the Caucasus' and Genscher as his Sancho Panza, little

<sup>30</sup> 'Die ausverkauften Ideen', *Merkur* 365, October 1978.

<sup>31</sup> 'Der gefährliche Augenblick', *Merkur* 358, March 1978; themes developed in *Plötzlichkeit: zum Augenblick des ästhetischen Scheins*, Frankfurt 1981, of which there is an English translation, *Suddenness: on the Moment of Aesthetic Appearance*, New York 1994.

<sup>32</sup> 'Die Ästhetik des Staates', *Merkur* 423, January 1984.

<sup>33</sup> 'Die Unschuld an die Macht', *Merkur* 425, March 1984; *Merkur* 427, May 1984; *Merkur* 431, January 1985.

escaped Bohrer's scathing report. At best, the Frankfurt of the sixties had not been quite so dreary as Düsseldorf or Munich, and Fassbinder was a bright spot.<sup>54</sup>

The polemical élan of such broadsides was never just destructive. From the beginning, Bohrer had a normative ideal in mind. Germany was in need of a creative aesthetics of the state. It was the absence of one that produced the dismal landscape scanned in his first editorial, and its many sequels. To those who taxed him with that 'aestheticization of politics' which Benjamin had identified as peculiar to fascism, he replied that in fact every democratic state that respected itself had its own aesthetic, expressed in its capital city, public buildings, ceremonies, spaces, forms of rule and rhetoric—contemporary America, England, France or Italy supplied the evidence, to which a special issue of *Merkur* was devoted.<sup>55</sup> It was in these that the identity of the nation acquired tangible legitimacy and shape: a state without its own distinctive symbolic forms, in which politics was reduced to mere social assistance, was hardly worth the name. It was time for Germany to put the stunted half-life of the Bonn Republic behind it.

When the Berlin Wall came down five years later, but reunification was still quite uncertain, and resisted by the liberal left in the West, Bohrer was thus well positioned to publish, in the *Frankfurter Allgemeine*, perhaps the most powerful single essay of the time in favour of German unity: 'Why We Are Not a Nation—and Why We Should Become One'.<sup>56</sup> His leading adversary was Habermas, treated with the respect Bohrer had always shown him. The contribution to *Merkur* immediately following his famous 'Aesthetics of the State' had, indeed, been an article by Habermas on the peace demonstrations against the stationing of Pershing missiles, and when the *Historikerstreit* came two years later, Bohrer had not hesitated to side with him. But Habermas's resistance to unification,

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<sup>54</sup> 'Provinzialismus', *Merkur* 501, December 1990; *Merkur* 504, March 1991; *Merkur* 505, April 1991; *Merkur* 507, June 1991; *Merkur* 509, August 1991; *Merkur* 512, November 1991.

<sup>55</sup> 'Ästhetik und Politik sowie einige damit zusammenhängende Fragen', *Merkur* 451–452, September–October 1986.

<sup>56</sup> *Frankfurter Allgemeine Zeitung*, 13 January 1990; for an English version of this text, see *New German Critique*, no. 52, Winter 1991. Its translator, Stephen Brockmann, would later describe Bohrer's arguments as 'a foundational discourse for the triumphal conservatism that emerged on the German right in the wake of reunification'. For this judgement, see his *Literature and German Reunification*, Cambridge 1999, p. 57.

worthy though his notion of a disembodied constitutional patriotism might be as an abstract ideal, was a delusion. Behind it lay a 'negative chiliasm', in which the Judeocide stood as the unconditional event of the German past, barring the country from any recovery of a traditional national identity, with its own psychic and cultural forms. 'Did our specifically "irrational" tradition of Romanticism have to be so thoroughly destroyed by the bulldozers of a new sociology?', he asked pointedly.

### *Deficiencies of form*

With reunification and the transfer of the capital to Berlin came possibilities of another kind of Germany, for which Bohrer had polemicized. For with them faded the intellectual nimbus of the old order. But if the arrival of the Berlin Republic marked the passage to a new situation, it was not one which Bohrer viewed in any spirit of complacent vindication. When *Merkur* took stock of the country in late 2006 with a book-length special issue 'On the Physiognomy of the Berlin Republic', under the rubric, *Ein neues Deutschland?*—a virtuoso composition, containing essays on everything from ideology to politics, journalism to architecture, slums to managers, patriots to professors, legitimacy to diplomacy—Bohrer's editorial, 'The Aesthetics of the State Revisited', made clear how little he had relented.<sup>27</sup> Germany was now a sovereign nation once more; it had a proper capital; and globalization ruled out any retreat into the self-abasing niche of the past. These were welcome changes. But in many respects the lowering heritage of the Bonn era lived on. In Berlin itself, the new government quarter was for the most part a vacuous desolation, inviting mass tourism, redeemed only by the restoration of the Reichstag—even that banalized by fashionable bric-à-brac and political correctness, not to speak of the droning addresses delivered within it.<sup>28</sup> Alone had dignity the ensemble of Prussian classicism, at length recovered, extending east from the Brandenburg Gate to the Gendarmenmarkt. Nor had Berlin's return to the position of a national capital had any transformative effect on other German cities, or even aroused their interest: if anything, each had become more regional, the country more centrifugal, than ever. The feel-good patriotism of the World Cup of 2006, with its sea of *bon enfant*

<sup>27</sup> 'Die Ästhetik des Staates revisited', *Merkur* 689–690, September–October 2006. The title of the special number alludes, of course, ironically to the official daily of the former DDR.

<sup>28</sup> For a mocking tour of the fixtures and fittings of the new Bundestag, and of the government district at large, see Gustav Seibt's deadly squib, 'Post aus Ozeanien', *Merkur* 689–690.

flag-waving youth, as vapid as it was vulgar, was the obverse of the lack of any serious statecraft at the helm of the republic, of which Merkel was only the latest dispiriting, institutionally determined, incarnation. Missing in this order was any will to style. The expressive deficit of the Bonn Republic had not been overcome.

True independence of mind, Bohrer would subsequently remark, was to be found in those thinkers—Montaigne, Schlegel, Nietzsche—who replaced *Sinnfragen* with *Formfragen*,<sup>39</sup> a substitution that could be taken as the motto of his own work. But *Sinn* and *Form* are not so easily separated. Bohrer's critique of the deficiencies of the German state, both before and after the move to Berlin, could by its own logic never remain a purely formal matter, of aesthetics alone. From the beginning, his editorial interventions in *Merkur* had a substantive edge. A state that respected itself enough to develop a symbolic form was one that knew how to assert itself, where required, in the field of relations between states. From his post in London, Bohrer had admired British resolve in the Falklands War, and he thereafter consistently backed Western military interventions, in the Balkans or the Middle East. The deficit of the German state was thus not just a matter of buildings or speeches, it was also one of arms. Bohrer was a scathing critic of Kohl's failure to join in Operation Desert Storm; advocated the dispatch of German ground troops to Yugoslavia; and handed Schröder a white feather over Iraq. With such belligerence has gone a shift of cultural reference. Paeschke subtitled *Merkur* 'A German Journal of European Thought', and kept his word—Gide, Eliot, Montale, Ortega, Russell appearing alongside his native eminences. Few German intellectuals of his generation were as well equipped to maintain this tradition as Bohrer, whose contempt for the provincialism of Bonn and all it stood for was rooted in personal experience. Steeped in Anglo-French culture, after working in London he later lived much of the time in Paris, editing *Merkur* from afar.

But by the turn of the century, a change had come over the journal under him. The presence of Europe faded. Contributors, topics and arguments were now more insistently American. Bohrer had never been an enthusiast for the EU, his view of it close to a British scepticism—he liked to invoke the *Spectator*—he had long admired. Intellectual sources in the United States, however, were something new. The combination of a hawkish *Aussenpolitik* and multiplying signatures from the Heritage

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<sup>39</sup> 'Was heisst unabhängig denken?', *Merkur* 699, July 2007, p. 574.

Foundation or Cato Institute can give the impression that a German version of US-style neo-conservatism has of late taken shape in *Merkur*. Bohrer rejects any such classification. If he is to be labelled at all, it should be as a 'neo-liberal' in the spirit, not of the IMF, but of Richard Rorty, at once patriot and ironist. That he cannot, in fact, be aligned with either kind of transatlantic import is clear not only from his more accurate self-description elsewhere as an 'anti-authoritarian, subjectivist liberal', but also the occasion that produced it, an essay on the fortieth anniversary of the student revolt in Germany. 'Eight Scenes from Sixty-Eight'—clipped reminiscences of that year: so many strobe-lit flashes of Dutschke and Krah!l, Enzensberger and Adorno, Habermas and Ulrike Meinhof—is sometimes acerbic, but for the most part unabashedly lyrical in its memories of the intellectual and sensual awakening of that year: 'Who has not known those days and nights of psychological, and literal, masquerade and identity-switching, does not know what makes life exciting, to vary Talleyrand's phrase'.<sup>40</sup> Reitz's *Zweite Heimat* offered an unforgettable recreation of them. The worst that could be said of 68ers was that they destroyed what was left of symbolic form in Germany. The best, that they were never *Spießler*. If they left a residue of fanaticism, today that had perhaps become most conspicuous in root-and-branch denunciations of 68 by former participants in it. Bohrer had little time for such renegades. He was not Daniel Bell: the antinomian held no fears for him.

## VI. WORLD POWER

Looking back on Paeschke's command at *Merkur*, Bohrer once remarked of it that though Schlegel's *Athenaeum* was a much more original journal than Wieland's *Teutsche Merkur*, it was the latter—which lasted so much longer—that marked its epoch; regularity and consistency requiring that eccentricity be curbed, if authority was to be gained. This was a lesson Paeschke had learnt. He himself, however, came out of the Romantic, not the Enlightenment tradition, and took some time to see it, before attempting to conjugate the two.<sup>41</sup> As Bohrer's tenure moved towards its appointed end, the results of that effort were visible. In intention, at any rate, authority has increasingly materialized, in the shape of contributors from just those organs of opinion Bohrer had once castigated as

<sup>40</sup> 'Acht Szenen Achtundsechzig', *Merkur* 708, May 2008, p. 419.

<sup>41</sup> 'Hans Paeschke und der *Merkur*. Erinnerung und Gegenwart', *Merkur* 510–511, September–October 1991.

the voices of a pious *ennui*: editors and columnists from *Die Zeit*, *Die Welt*, the *FAZ*, coming thick and fast in the pages of the journal. Here a genuinely neo-liberal front, excoriating the lame compromises of the Schröder–Merkel years, is on the attack, aggressively seeking to replace one ‘paradigm’ with another. Flanking it, if at a slight angle, is the journal’s theorist of geopolitics, Herfried Münkler, author of an ambitious body of writing on war and empire,<sup>42</sup> whose recent essays in *Merkur* offer the most systematic prospectus for returning Germany, in the new century, to the theatre of *Weltpolitik*.

The logic of the inter-state system of today, Münkler suggests, may best be illustrated by an Athenian fable to be found in Aristotle. In an assembly of beasts, the hares demanded equal rights for all animals; the lions replied, ‘But where are your claws and teeth?’, whereupon the proposal was rejected, and the hares withdrew to the back rows again. Moral: for equal rights to obtain, there must be a reasonable equality of powers. In their reaction to the American lion’s attack on Iraq, countries like France and Germany protested like so many hares, earning only leonine contempt. Even united, Europe could not itself become a lion overnight, and should realize this. But what it could, and should, become is a continental fox in alliance with the lion, complementing—in Machiavelli’s formula—the force of the one with the cunning of the other; in contemporary jargon, American hard power with European soft power. The loyalty of the fox to the lion must be beyond question, and each must overcome current resentment against the other—the lion feeling betrayed, the foxes humiliated, by what has happened in the Middle East. But once good relations are restored, the fox has a special role to play in the cooperation between them, as a beast more alert than the lion to another, increasingly prominent species in the animal kingdom—rats, now multiplying, and spreading the plague of terror. Such rodents do not belong to the diet of lions; but foxes, which have their own—lesser, but still sharp—teeth and claws, devour them, and can halt their proliferation. That zoological duty will require of Europe, however, that it develop a will to fashion a world politics of its own—*eigener weltpolitischer Gestaltungswille*. The necessary self-assertion of Europe demands nothing less.<sup>43</sup>

<sup>42</sup> For a penetrating critique of his major recent work, *Imperien*, which came out in 2005, see Benno Teschke, ‘Empires by Analogy’, NLR 40, July–August 2006.

<sup>43</sup> Münkler, ‘Die Selbstbehauptung Europas. Fabelhafte Überlegungen’, *Merkur* 649, May 2003.



What of Germany? In contrast to the Second Reich and the Weimar Republic, both deeply insecure, and the rabid attempt to over-compensate such insecurity in the Third Reich, the Berlin Republic exhibits a new and warranted self-confidence. Post-war Germany for long sought to buy its way back into international respectability, simply with its cheque-book. Kohl, helping to defray the costs of the Gulf War without participating in it, was the last episode in that inglorious process. Since his departure, Münkler argues, the Federal Republic has finally assumed its responsibilities as an outward-looking member of the European Union: dispatching its armed forces to the Balkans, Afghanistan and Congo, not in any selfish pursuit of its own interests, but for the common good, to protect others. Such is the appropriate role for a medium power, which must rely more on prestige and reputation than repression for its position in the world, and has naturally sought a permanent seat in the Security Council commensurate with its contribution to the operations of the UN.<sup>44</sup> Yet Germany, politically integrated into the EU and militarily into NATO, still relies too much on its economic weight for its role as a sovereign state in the world. It needs to diversify its portfolio of power, above all by recovering the ideological and cultural attraction it formerly possessed, becoming once again the *Kulturnation und Wissenschaftslandschaft* of old. The attraction of the new Berlin as an international city, comparable to its radiance in Weimar days, will help. But soft power alone will not be enough. All Europe, and Germany with it, confronts resistances to the existing world order of capitalism, not from a China or India that are now sub-centres of it, but from the periphery of the system. There, terrorism remains the principal challenge to the post-heroic societies of the West, of which Germany is the deepest example. It would be naïve to think it could be defeated by mere economic aid or moral exhortation.<sup>45</sup>

Propositions such as these, adjusting Prussian modes of thought to contemporary conditions, aim at making policy. Münkler, no figure of the right but a frequenter of the SPD, is listened to within today's Wilhelmstrasse, which has organized ambassadorial conclaves to discuss his ideas. German diplomats, he writes with satisfaction, are readier to play on the different keyboards of power he recommends than are, so far, politicians. Here is probably the closest interface between the

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<sup>44</sup> Münkler, 'Die selbstbewusste Mittelmacht. Aussenpolitik im souveränen Staat', *Merkur* 689–690, September–October 2006.

<sup>45</sup> Münkler, 'Heroische und postheroische Gesellschaften', *Merkur* 700, August–September 2007.

review and the state to be found in *Merkur*. The influence of a journal of ideas is never easy to measure. Bohrer's enterprise has certainly played a critical role in dethroning the comfortable left-liberalism of the post-war intellectual establishment. But its destructive capacity has not—or not yet—been equalled by an ability to construct a comparable new consensus. The kind of hegemony that a journal like *Le Débat* for a period achieved in France has been beyond it. In part, this has been a question of form: the essays in *Merkur*, closer to a still vigorous German tradition of *belles lettres*, remain less 'modern' than the more empirical, better documented, contributions to the French review. But it has also been a function of Bohrer's own distinctive handling of his office. In the tension between Schlegel and Wieland, although he would respect the goal of authority, his own higher value has always been idiosyncrasy—that is, originality, of which the strange cocktail of themes and positions he developed out of Romantic and Surrealist materials in his own texts, effervescent and potent enough by any measure, was the presiding example. Editorially, even in its late neo-liberal moods, *Merkur* always comprised contrary opinions, in the spirit of Paeschke's *Gegenwirkung*. But the underlying impulse was polarizing, not in his but in the avant-garde sense inaugurated by the *Athenaeum*. To Bohrer's credit, conventional authority was forfeited with it.

## VII. DISPLACEMENTS

The distance between trenchancy and influence can be taken as the index of a wider disconnexion between the political and cultural life of the Berlin Republic at large. Under the dispensation of Bonn, notwithstanding obvious contrasts between them, there was a basic accord between the two. In that sense, Lepenies's thesis that in post-war Germany culture by and large ceased to be at odds with politics, as both became in the approved sense democratic, is sound. Habermas's notion of a 'constitutional patriotism' peculiar to the Federal Republic can be read as a tacit celebration of that harmony. Since 1990, on the other hand, the two have drifted apart. When, midway through the eighties, Claus Leggewie published his polemic *Der Geist steht rechts*, he was previous. Twenty years later, that such a shift had occurred was plain. Intellectual energy had passed to the right, no longer just a *fronde*, but a significant consensus in the media—a climate of opinion. The political class, however, was still tethered to its familiar habitat. Neither Red-Green nor Black-Red

coalitions had much altered the *juste milieu* of Bonn descent. The equilibrium of the West German system of old, however, was broken. A series of torsions had twisted its components apart. The economic sphere has been displaced to the right. The political sphere has not yet drifted far from the centre. The social sphere has moved subterraneously to the left. The intellectual sphere has gravitated in the opposite direction.

What the eventual outcome of these different tectonic shifts might be remains beyond prediction. The crash of the global economy, wrecking German export orders, forced the country into a downward spiral as the coalition in Berlin entered its final year, amid mounting tension between its partners. If the CDU maintains the lead it currently enjoys over the SPD in the opinion polls, and if the FDP holds up sufficiently, a Black–Yellow government could emerge that, till yesterday, would have had a freer hand to deregulate the social market economy more radically, according to neo-liberal prescriptions. The slump will put these on hold. But since the FDP's identity depends on an assertive anti-statism, a drift back to older forms of corporatism, beyond emergency measures, would not be easy. If, on the other hand, electoral dislike of growing inequality and social insecurity combines with widespread fear of any kind of instability, the vote could tilt back to the dead-point of another Grand Coalition. Changes in intellectual climate must affect the working through of either formula, though the extent of their incidence could be another matter. A few years ago, the international soccer championship was promoted with billboards across the country proclaiming 'Germany—Land of Ideas'. The country's traditions of thought have, fortunately, not yet sunk to the *reductio ad abiectum* of an advertising slogan for football. But that their specific weight in society has declined is certain.

Viewed comparatively, indeed, German culture in the past third of a century has been distinguished less as a matrix of ideas than of images. In that respect, one might say that it exchanged roles with France, philosophy migrating west across the Rhine, while painting, photography, cinema travelled east. It is in the visual arts that German culture has been most productive, often pre-eminent. In their different ways: Beuys, Richter, Trockel, Kiefer, the Bechers, Struth, Gursky, Ruff, Fassbinder, Syberberg, Reitz—no other European society of the period has had quite this palette. More of it, too, has touched on the history of the country and its transformations than anywhere else; and more explosively. The cinema, as one

might expect, has been the directest site of this. Fassbinder's *Marriage of Maria Braun*, with the final immolation of its heroine as the bellowing commentary on the World Cup final of 1954 reaches a crescendo, closes with a pallid, reversed-out image of Helmut Schmidt filling the screen, as the grey death's-head of the *Wirtschaftswunder*. Reitz's *Heimat* trilogy, the first part of which was released in 1984, just as Kohl was consolidating his power, ends in the prosperous, united Germany of the new century with the destruction by financial predators of the family firm of one brother, the crash of the plane of another into the cliffs above the Rhine, the suicide of a Yugoslav orphan in the river below, the burial of a fabled trove of paintings by an earthquake: settings and intimations of a modern Ring Cycle. Its final image is of the youngest female survivor, looking out into the darkness, her features slowly resembling, as the camera closes in, the mask of a haunted animal. Art has its premonitions, though they are not always right.

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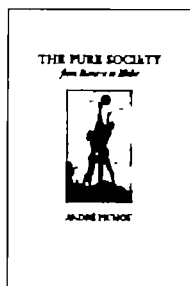
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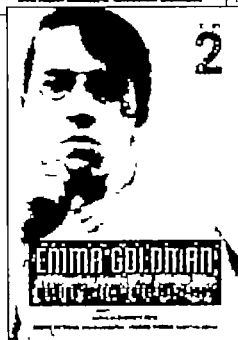
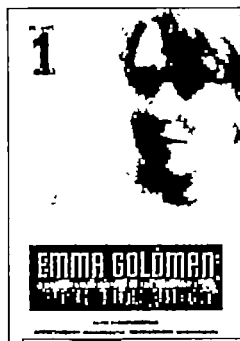
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## HOW TO BEGIN FROM THE BEGINNING

**I**N HIS WONDERFUL short text 'Notes of a Publicist'—written in February 1922 when the Bolsheviks, after winning the Civil War against all odds, had to retreat into the New Economic Policy of allowing a much wider scope to the market economy and private property—Lenin uses the analogy of a climber who must backtrack from his first attempt to reach a new mountain peak to describe what retreat means in a revolutionary process, and how it can be done without opportunistically betraying the cause:

Let us picture to ourselves a man ascending a very high, steep and hitherto unexplored mountain. Let us assume that he has overcome unprecedented difficulties and dangers and has succeeded in reaching a much higher point than any of his predecessors, but still has not reached the summit. He finds himself in a position where it is not only difficult and dangerous to proceed in the direction and along the path he has chosen, but positively impossible.<sup>1</sup>

In these circumstances, Lenin writes:

He is forced to turn back, descend, seek another path, longer, perhaps, but one that will enable him to reach the summit. The descent from the height that no one before him has reached proves, perhaps, to be more dangerous and difficult for our imaginary traveller than the ascent—it is easier to slip; it is not so easy to choose a foothold; there is not that exhilaration that one feels in going upwards, straight to the goal, etc. One has to tie a rope round oneself, spend hours with an alpenstock to cut footholds or a projection to which the rope could be tied firmly; one has to move at a snail's pace, and move downwards, descend, away from the goal; and one does not know where this extremely dangerous and painful descent will end, or whether

there is a fairly safe detour by which one can ascend more boldly, more quickly and more directly to the summit.

It would only be natural for a climber who found himself in such a position to have 'moments of despondency'. In all probability these moments would be more numerous and harder to bear if he could hear the voices of those below, who 'through a telescope and from a safe distance, are watching his dangerous descent': 'The voices from below ring with malicious joy. They do not conceal it; they chuckle gleefully and shout: "He'll fall in a minute! Serve him right, the lunatic!"'. Others try to conceal their malicious glee, behaving 'more like Judas Golovlyov', the notoriously hypocritical landowner in Saltykov-Shchedrin's novel, *The Golovlyov Family*.

They moan and raise their eyes to heaven in sorrow, as if to say: 'It grieves us sorely to see our fears justified! But did not we, who have spent all our lives working out a judicious plan for scaling this mountain, demand that the ascent be postponed until our plan was complete? And if we so vehemently protested against taking this path, which this lunatic is now abandoning (look, look, he has turned back! He is descending! A single step is taking him hours of preparation! And yet we were roundly abused when time and again we demanded moderation and caution!), if we so fervently censured this lunatic and warned everybody against imitating and helping him, we did so entirely because of our devotion to the great plan to scale this mountain, and in order to prevent this great plan from being generally discredited!'

Happily, Lenin continues, our imaginary traveller cannot hear the voices of these people who are 'true friends' of the idea of ascent; if he did, 'they would probably nauseate him'—'And nausea, it is said, does not help one to keep a clear head and a firm step, particularly at high altitudes.'

Of course, a metaphor does not amount to proof: 'every analogy is lame'. Lenin goes on to spell out the actual situation confronting the infant Soviet republic:

Russia's proletariat rose to a gigantic height in its revolution, not only when it is compared with 1789 and 1793, but also when compared with 1871. We must take stock of what we have done and what we have not as dispassionately, as clearly and as concretely as possible. If we do that we shall be able to keep clear heads. We shall not suffer from nausea, illusions, or despondency.

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<sup>1</sup> V. I. Lenin, 'Notes of a Publicist', published posthumously in *Pravda*, 16 April 1924; *Collected Works*, vol. 33, Moscow 1966, pp. 204-7.



After enumerating the achievements of the Soviet state by 1922, Lenin explains what has not been done:

But we have not finished building even the foundations of socialist economy, and the hostile powers of moribund capitalism can still deprive us of that. We must clearly appreciate this and frankly admit it; for there is nothing more dangerous than illusions (and vertigo, particularly at high altitudes). And there is absolutely nothing terrible, nothing that should give legitimate grounds for the slightest despondency, in admitting this bitter truth; for we have always urged and reiterated the elementary truth of Marxism—that the joint efforts of the workers of several advanced countries are needed for the victory of socialism. We are still alone and in a backward country, a country that was ruined more than others, but we have accomplished a great deal.

More than that, Lenin notes, 'we have preserved intact the army of the revolutionary proletarian forces; we have preserved its manoeuvring ability; we have kept clear heads and can soberly calculate where, when and how far to retreat (in order to leap further forward); where, when and how to set to work to alter what has remained unfinished.' And he concludes:

Those Communists are doomed who imagine that it is possible to finish such an epoch-making undertaking as completing the foundations of socialist economy (particularly in a small-peasant country) without making mistakes, without retreats, without numerous alterations to what is unfinished or wrongly done. Communists who have no illusions, who do not give way to despondency, and who preserve their strength and flexibility 'to begin from the beginning' over and over again in approaching an extremely difficult task, are not doomed (and in all probability will not perish).

### *Fail better*

This is Lenin at his Beckettian best, foreshadowing the line from *Worstward Ho*: 'Try again. Fail again. Fail better.'<sup>2</sup> His conclusion—to begin from the beginning—makes it clear that he is not talking about merely slowing down and fortifying what has already been achieved, but about descending back to the starting point: one should begin *from the beginning*, not from the place that one succeeded in reaching in the previous effort. In Kierkegaard's terms, a revolutionary process is not a gradual progress but a repetitive movement, a movement of repeating the beginning, again and again.

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<sup>2</sup> Samuel Beckett, 'Worstward Ho', *Now or Never*, London 1992, p. 101.

Georg Lukács ended his pre-Marxist masterwork *Theory of the Novel* with the famous sentence: 'The voyage is over, the travel begins.' This is what happens at the moment of defeat: the voyage of a particular revolutionary experience is over, but the true travel, the work of beginning again, is just starting. This willingness to retreat, however, in no way implies a non-dogmatic opening towards others, an admission to political competitors, 'We were wrong, you were right in your warnings, so let us now join forces'. On the contrary, Lenin insists that such moments are the times when utmost discipline is needed. Addressing the Bolsheviks' Eleventh Party Congress a few months later, in April 1922, he argued:

When a whole army (I speak in the figurative sense) is in retreat, it cannot have the same morale as when it is advancing. At every step you find a certain mood of depression . . . That is where the serious danger lies; it is terribly difficult to retreat after a great victorious advance, for the relations are entirely different. During a victorious advance, even if discipline is relaxed, everybody presses forward on his own accord. During a retreat, however, discipline must be more conscious and is a hundred times more necessary, because, when the entire army is in retreat, it does not know or see where it should halt. It sees only retreat; under such circumstances a few panic-stricken voices are, at times, enough to cause a stampede. The danger here is enormous. When a real army is in retreat, machine-guns are kept ready, and when an orderly retreat degenerates into a disorderly one, the command to fire is given, and quite rightly, too.

The consequences of this stance were very clear for Lenin. In answer to 'the sermons' on the NEP preached by Mensheviks and Socialist-Revolutionaries—'The revolution has gone too far. What you are saying now we have been saying all the time, permit us to say it again'—he told the Eleventh Party Congress:

We say in reply: 'Permit us to put you before a firing squad for saying that. Either you refrain from expressing your views, or, if you insist on expressing your political views publicly in the present circumstances, when our position is far more difficult than it was when the white guards were directly attacking us, then you will have only yourselves to blame if we treat you as the worst and most pernicious white-guard elements.'<sup>3</sup>

This 'red terror' should nonetheless be distinguished from Stalinist 'totalitarianism'. In his memoirs, Sándor Márai provided a precise definition of the difference.<sup>4</sup> Even in the most violent phases of the

<sup>3</sup> Lenin, 'Eleventh Congress of the RCP(B)', *Collected Works*, vol. 33, pp. 281–3.

<sup>4</sup> Sándor Márai, *Memoir of Hungary: 1944–1948*, Budapest 1996.

Leninist dictatorship, when those who opposed the revolution were brutally deprived of their right to (public free) speech, they were not deprived of their *right to silence*: they were allowed to withdraw into inner exile. An episode from the autumn of 1922 when, on Lenin's instigation, the Bolsheviks were organizing the infamous 'Philosophers' Steamer', is indicative here. When he learned that an old Menshevik historian on the list of those intellectuals to be expelled had withdrawn into private life to await death due to heavy illness, Lenin not only took him off the list, but ordered that he be given additional food coupons. Once the enemy resigned from political struggle, Lenin's animosity stopped.

For Stalinism, however, even such silence resonated too much. Not only were masses of people required to show their support by attending big public rallies, artists and scientists also had to compromise themselves by participating in active measures such as signing official proclamations, or paying lip-service to Stalin and the official Marxism. If, in the Leninist dictatorship, one could be shot for what one said, in Stalinism one could be shot for what one did not say. This was followed through to the very end: suicide itself, the ultimate desperate withdrawal into silence, was condemned by Stalin as the last and highest act of treason against the Party. This distinction between Leninism and Stalinism reflects their general attitude towards society: for the former, society is a field of merciless struggle for power, a struggle which is openly admitted; for the latter, the conflict is, sometimes almost imperceptibly, redefined as that of a healthy society against what is excluded from it—vermin, insects, traitors who are less than human.

### *A Soviet separation of powers?*

Was the passage from Lenin to Stalin necessary? The Hegelian answer would evoke retroactive necessity: once this passage happened, once Stalin won, *it was necessary*. The task of a dialectical historian is to conceive it 'in becoming', bringing out all the contingency of a struggle that might have ended differently, as Moshe Lewin tried to do in *Lenin's Last Struggle*. Lewin points, firstly, to Lenin's insistence on full sovereignty for the national entities that composed the Soviet state—no wonder that, in a letter to the Politburo of 22 September 1922, Stalin openly accused Lenin of 'national liberalism'. Secondly, he emphasizes Lenin's stress on a modesty of goals: not socialism, but culture, universal literacy, efficiency, technocracy; cooperative societies, which would enable the

peasants to become 'cultured traders' in the context of the NRP. This was obviously a very different outlook from that of 'socialism in one country'. The modesty is sometimes surprisingly open: Lenin mocks all attempts to 'build socialism'; he plays repeatedly on the motif of party deficiencies, and insists on the improvisational nature of Soviet policy, to the extent of quoting Napoleon's '*On s'engage . . . et puis on voit*'.

Lenin's final struggle against the rule of state bureaucracy is well known; what is less known, as Lewin perspicuously notes, is that Lenin had been trying to square the circle of democracy and the dictatorship of the party-state with his proposal for a new ruling body, the Central Control Commission. While fully admitting the dictatorial nature of the Soviet regime, he tried to establish at its summit a balance between different elements, a 'system of reciprocal control that could serve the same function—the comparison is no more than approximate—as the separation of powers in a democratic regime'. An enlarged Central Committee would lay down the broad lines of policy and supervise the whole Party apparatus. Within it, the Central Control Commission would:

act as a control of the Central Committee and of its various offshoots—the Political Bureau, the Secretariat, the Orgburo . . . Its independence would be assured by its direct link to the Party Congress, without the mediation of the Politburo and its administrative organs or of the Central Committee.<sup>5</sup>

Checks and balances, the division of powers, mutual control—this was Lenin's desperate answer to the question: who controls the controllers? There is something dreamlike, properly phantasmatic, in this idea of a Central Control Commission: an independent, educational, controlling body with an 'apolitical' edge, consisting of the best teachers and technocrats, to keep in check the 'politicized' Central Committee and its organs—in short, neutral expertise keeping party executives in line. All this, however, hinges on the true independence of the Party Congress—*de facto* already undermined by the prohibition of factions, which allowed the top Party apparatus to control the Congress and dismiss its critics as factionalists. The naivety of Lenin's trust in specialists is all the more striking if we bear in mind that it came from a leader who was otherwise fully aware of the all-pervasiveness of political struggle, which allows for no neutral position.

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<sup>5</sup> Moshe Lewin, *Lenin's Last Struggle* [1968], Ann Arbor, MI 2005, pp. 131–2.

The direction in which the wind was already blowing is apparent in Stalin's 1922 proposal to simply proclaim the government of the Russian Soviet Federative Socialist Republic as also the government of the republics of Ukraine, Belarus, Azerbaijan, Armenia and Georgia:

If this decision is confirmed by the Central Committee of the RCP, it will not be made public, but communicated to the Central Committees of the Republics for circulation among the Soviet organs, the Central Executive Committees or the Congresses of the Soviets of the said Republics before the convocation of the All-Russian Congress of the Soviets, where it will be declared to be the wish of these Republics.<sup>6</sup>

The interaction of the higher authority with its base is thus not only abolished—so that the higher authority simply imposes its will—but, adding insult to injury, it is re-staged as its opposite: the CC decides what wish the base will put to the higher authority as its own.

### *Tact and terror*

A further feature of Lenin's final battles to which Lewin draws our attention is an unexpected focus on politeness and civility. Lenin had been deeply upset by two incidents: in a political debate, Moscow's representative in Georgia, Sergo Ordzhonikidze, had physically struck a member of the Georgian CC; and Stalin himself had verbally abused Krupskaya (having discovered that she had transmitted to Trotsky Lenin's letter proposing a pact against Stalin). The latter incident prompted Lenin to write his famous appeal:

Stalin is too rude, and this defect, though quite tolerable in our midst and in dealings among us Communists, becomes intolerable in a General Secretary. That is why I suggest that the comrades think about a way to remove Stalin from that post and appoint in his place another man who in all respects differs from Comrade Stalin in his superiority, that is, more tolerant, more loyal, more courteous and more considerate of the comrades, less capricious.<sup>7</sup>

Lenin's proposals for a Central Control Commission and his concern that civility be maintained in no way indicate a liberal softening. In a letter to Kamenev from this same period, he clearly states: 'It is a great mistake to think that the NEP put an end to terror; we shall again have

<sup>6</sup> Quoted in Lewin, *Lenin's Last Struggle*, Appendix 1, pp. 146–7.

<sup>7</sup> Lewin, *Lenin's Last Struggle*, p. 84.

recourse to terror and to economic terror.' However, this terror, which would survive the planned reduction of the state apparatus and Cheka, would have been more a threat than an actuality: as Lewin recounts, Lenin sought a means 'whereby all those who would now [under the NEP] like to go beyond the limits assigned to businessmen by the state could be reminded "tactfully and politely" of the existence of this ultimate weapon.'<sup>8</sup> Lenin was right here: dictatorship refers to the constitutive excess of (state) power, and at this level, there is no neutrality. The crucial question is *whose excess*? If it is not *ours*, it is *theirs*.

In dreaming, to use his own expression, about the CCC's mode of work in his final 1923 text, 'Better Fewer, But Better', Lenin suggests that this body should resort to:

some semi-humorous trick, cunning device, piece of trickery or something of that sort. I know that in the staid and earnest states of Western Europe such an idea would horrify people and that not a single decent official would even entertain it. I hope, however, that we have not yet become as bureaucratic as all that and that in our midst the discussion of this idea will give rise to nothing more than amusement.

Indeed, why not combine pleasure with utility? Why not resort to some humorous or semi-humorous trick to expose something ridiculous, something harmful, something semi-ridiculous, semi-harmful, etc.?<sup>9</sup>

Is this not almost an obscene double of the 'serious' executive power concentrated in the CC and Politburo? Tricks, cunning of reason—a wonderful dream, but a utopia nonetheless. Lenin's weakness, Lewin argues, was that he saw the problem of bureaucratization, but understated its weight and true dimension: 'his social analysis was based on only three social classes—the workers, the peasants and the bourgeoisie—without taking any account of the state apparatus as a distinct social element in a country that had nationalized the main sectors of the economy.'<sup>10</sup>

The Bolsheviks quickly became aware that their political power lacked a distinct social basis: most of the working class on whose behalf they exerted their rule had vanished in the Civil War, so they were in a way ruling in a void of social representation. However, in imagining themselves as a pure political power imposing its will on society, they overlooked how—since it *de facto* owned, or acted as caretaker for the

<sup>8</sup> Lewin, *Lenin's Last Struggle*, p. 133.

<sup>9</sup> Lenin, 'Better Fewer, But Better', *Collected Works*, vol. 33, p. 495.

<sup>10</sup> Lewin, *Lenin's Last Struggle*, p. 125.

absent owner of, the forces of production—the state bureaucracy ‘would become the true social basis of power’:

There is no such thing as ‘pure’ political power, devoid of any social foundation. A regime must find some other social basis than the apparatus of repression itself. The ‘void’ in which the Soviet regime had seemed to be suspended had soon been filled, even if the Bolsheviks had not seen it, or did not wish to see it.<sup>11</sup>

Arguably, this base would have blocked Lenin’s project of a CCC. It is true that, in both an anti-economistic and determinist way, Lenin insists on the autonomy of the political, but what he misses, in Badiou’s terms, is not how every political force represents some social force or class, but how this political force of representation is directly inscribed into the represented level itself, as a social force of its own. Lenin’s last struggle against Stalin thus has all the hallmarks of a proper tragedy: it was not a melodrama in which the good guy fights the bad guy, but a tragedy in which the hero becomes aware that he is fighting his own progeny, and that it is already too late to stop the fateful unfolding of his wrong decisions in the past.

### *A different path*

So where are we today, after the *désastre obscur* of 1989? As in 1922, the voices from below ring with malicious joy all around us: ‘Serves you right, lunatics who wanted to enforce their totalitarian vision on society!’ Others try to conceal their malicious glee; they moan and raise their eyes to heaven in sorrow, as if to say: ‘It grieves us sorely to see our fears justified! How noble was your vision to create a just society! Our heart was beating with you, but reason told us that your plans would finish only in misery and new unfreedoms!’ While rejecting any compromise with these seductive voices, we definitely have to begin from the beginning—not to build further upon the foundations of the revolutionary epoch of the 20th century, which lasted from 1917 to 1989, or, more precisely, 1968—but to descend to the starting point and choose a different path.

But how? The defining problem of Western Marxism has been the lack of a revolutionary subject: how is it that the working class does not complete the passage from in-itself to for-itself and constitute itself as

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<sup>11</sup> Lewin, *Lenin’s Last Struggle*, p. 124.

a revolutionary agent? This question provided the main *raison d'être* for Western Marxism's reference to psychoanalysis, which was evoked to explain the unconscious libidinal mechanisms preventing the rise of class consciousness that are inscribed into the very being or social situation of the working class. In this way, the truth of the Marxist socio-economic analysis was saved: there was no reason to give ground to revisionist theories about the rise of the middle classes. For this same reason, Western Marxism has also engaged in a constant search for others who could play the role of the revolutionary agent, as the understudy replacing the indisposed working class: Third World peasants, students and intellectuals, the excluded. It is just possible that this desperate search for the revolutionary agent is the form of appearance of its very opposite: the fear of *finding* it, of seeing it where it already stirs. Waiting for another to do the job for us is a way of rationalizing our inactivity.

It is against this background that Alain Badiou has suggested we should reassert the communist hypothesis. He writes:

If we have to abandon this hypothesis, then it is no longer worth doing anything at all in the field of collective action. Without the horizon of communism, without this Idea, nothing in historical and political becoming is of any interest to a philosopher.

However, Badiou continues:

to hold on to the Idea, the existence of the hypothesis, does not mean that its first form of presentation, focused on property and the state, must be maintained just as it is. In fact, what we are ascribed as a philosophical task, even a duty, is to help a new modality of existence of the hypothesis to come into being.<sup>12</sup>

One should be careful not to read these lines in a Kantian way, conceiving of communism as a regulative Idea, and thereby resuscitating the spectre of 'ethical socialism', with equality as its *a priori* norm or axiom. Rather, one should maintain the precise reference to a set of social antagonisms which generates the need for communism; the good old Marxian notion of communism not as an ideal, but as a movement which reacts to actual contradictions. To treat communism as an eternal Idea implies that the situation which generates it is no less eternal, that the antagonism to which communism reacts will always be here. From

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<sup>12</sup> Alain Badiou, *The Meaning of Sarkozy*, London and New York 2008, p. 115.



which it is only one step to a deconstructive reading of communism as a dream of presence, of abolishing all alienating representation; a dream which thrives on its own impossibility.

Though it is easy to make fun of Fukuyama's notion of the End of History, the majority today is Fukuyamaist: Liberal-democratic capitalism is accepted as the finally found formula of the best possible society; all one can do is to render it more just, tolerant and so on. The simple but pertinent question arises here: if liberal-democratic capitalism is, if not the best, then the least bad form of society, why should we not simply resign ourselves to it in a mature way, even accept it wholeheartedly? Why insist on the communist hypothesis, against all odds?

### *Class and commons*

It is not enough to remain faithful to the communist hypothesis: one has to locate antagonisms within historical reality which make it a practical urgency. The only *true* question today is: does global capitalism contain antagonisms strong enough to prevent its indefinite reproduction? Four possible antagonisms present themselves: the looming threat of ecological catastrophe; the inappropriateness of private property for so-called intellectual property; the socio-ethical implications of new technological developments, especially in biogenetics; and last, but not least, new forms of social apartheid—new walls and slums. We should note that there is a qualitative difference between the last feature, the gap that separates the excluded from the included, and the other three, which designate the domains of what Hardt and Negri call 'commons'—the shared substance of our social being, whose privatization is a violent act which should be resisted by force, if necessary.

First, there are the commons of culture, the immediately socialized forms of cognitive capital: primarily language, our means of communication and education, but also shared infrastructure such as public transport, electricity, post, etc. If Bill Gates were allowed a monopoly, we would have reached the absurd situation in which a private individual would have owned the software tissue of our basic network of communication. Second, there are the commons of *external* nature, threatened by pollution and exploitation—from oil to forests and the natural habitat itself—and, third, the commons of *internal* nature, the biogenetic inheritance of humanity. What all of these struggles share is

an awareness of the destructive potential—up to the self-annihilation of humanity itself—in allowing the capitalist logic of enclosing these commons a free run. It is this reference to ‘commons’ which allows the resuscitation of the notion of communism: it enables us to see their progressive enclosure as a process of proletarianization of those who are thereby excluded from their own substance; a process that also points towards exploitation. The task today is to renew the political economy of exploitation—for instance, that of anonymous ‘knowledge workers’ by their companies.

It is, however, only the fourth antagonism, the reference to the excluded, that justifies the term communism. There is nothing more private than a state community which perceives the excluded as a threat and worries how to keep them at a proper distance. In other words, in the series of the four antagonisms, the one between the included and the excluded is the crucial one: without it, all the others lose their subversive edge. Ecology turns into a problem of sustainable development, intellectual property into a complex legal challenge, biogenetics into an ethical issue. One can sincerely fight for the environment, defend a broader notion of intellectual property, oppose the copyrighting of genes, without confronting the antagonism between the included and the excluded. Even more, one can formulate some of these struggles in terms of the included threatened by the polluting excluded. In this way, we get no true universality, only ‘private’ concerns in the Kantian sense. Corporations such as Whole Foods and Starbucks continue to enjoy favour among liberals even though they both engage in anti-union activities; the trick is that they sell products with a progressive spin: coffee made with beans bought at ‘fair-trade’ prices, expensive hybrid vehicles, etc. In short, without the antagonism between the included and the excluded, we may find ourselves in a world in which Bill Gates is the greatest humanitarian, fighting poverty and disease, and Rupert Murdoch the greatest environmentalist, mobilizing hundreds of millions through his media empire.

What one should add here, moving beyond Kant, is that there are social groups which, on account of their lack of a determinate place in the ‘private’ order of social hierarchy, stand directly for universality: they are what Jacques Rancière calls the ‘part of no part’ of the social body. All truly emancipatory politics is generated by the short-circuit between the universality of the public use of reason and the universality of the ‘part of no part’. This was already the communist dream of the young Marx—to

bring together the universality of philosophy with the universality of the proletariat. From Ancient Greece, we have a name for the intrusion of the excluded into the socio-political space: democracy.

The predominant liberal notion of democracy also deals with those excluded, but in a radically different mode: it focuses on their inclusion, as minority voices. All positions should be heard, all interests taken into account, the human rights of everyone guaranteed, all ways of life, cultures and practices respected, and so on. The obsession of this democracy is the protection of all kinds of minorities: cultural, religious, sexual, etc. The formula of democracy here consists of patient negotiation and compromise. What gets lost in this is the position of universality embodied in the excluded. The new emancipatory politics will no longer be the act of a particular social agent, but an explosive combination of different agents. What unites us is that, in contrast to the classic image of proletarians who have 'nothing to lose but their chains', we are in danger of losing everything. The threat is that we will be reduced to an abstract, empty Cartesian subject dispossessed of all our symbolic content, with our genetic base manipulated, vegetating in an unliveable environment. This triple threat makes us all proletarians, reduced to 'substanceless subjectivity', as Marx put it in the *Grundrisse*. The figure of the 'part of no part' confronts us with the truth of our own position; and the ethico-political challenge is to recognize ourselves in this figure. In a way, we are all excluded, from nature as well as from our symbolic substance. Today, we are all potentially *homo sacer*, and the only way to avoid actually becoming so is to act preventively.



## Second Run DVD

### Divorce Iranian Style/ Runaway

Kim Longinotto is renowned for creating intimate portraits of women on the fringes of society, tackling difficult topics with sensitivity and passion.

*Divorce Iranian Style* unfolds within a Tehran divorce court and provides a subtle and intimate look at the lives of women in a country stereotypically associated with fanaticism and oppression.

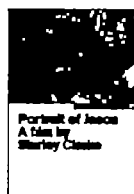
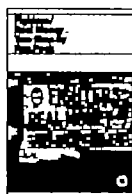
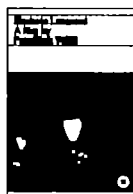
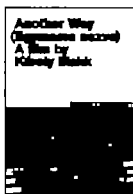
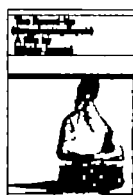
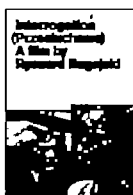
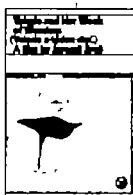
*Runaway* follows five young girls who arrive at a refuge in Tehran, having fled abusive or neglectful families. Some are in despair, others are simply mischievous; but somehow they must all learn to face the future.

Astute and beautifully observed, these films reveal the ingenuity and humour with which Iranian women negotiate the restrictions of their society.

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## POSSIBLE EUROPE

*Interview by Marc-Olivier Padis*

*In Beyond Employment, the 1999 report on work that you chaired for the European Commission, you sketched the foundations for what might have become a genuinely universal social policy for the EU, as well as making concrete proposals for labour law reform.<sup>1</sup> What is your retrospective assessment of that collective undertaking, and of the European 'agenda' as it has developed since then?*

**T**HE REPORT, *Beyond Employment*, has had a paradoxical fate. On the one hand, it received a certain amount of publicity and helped to free debates on employment from the mental straitjacket in which they had become trapped in the 1990s. But European institutions did not take up the simple idea it embodied: that there is no wealth other than human beings, and that an economy which ill-treats them has no future. The new conceptual frameworks we outlined with regard to professional status or to 'social drawing rights' all flowed from this basic idea. But of course this ran directly counter to the credo that holds sway in Brussels, according to which the problem is not that of adapting the economy to the needs of human beings, but rather the reverse—adapting human beings to the needs of markets, and especially to the needs of financial markets, which supposedly create harmony by making self-interest the basis for all human activity. This credo ensured EU officials were deaf to the warnings of those such as Jean-Luc Gréau, who diagnosed capitalism's sickness as a financial one a decade ago.<sup>2</sup>

At a time when the priority should have been to establish order in the financial markets, Brussels had only one slogan: 'Reform the labour markets'—in the sense of fitting people into the 'permanent

recomposition of the productive fabric', to maximize 'value creation' for the players in an economy that had become little more than a casino. Hence the denunciations of rigidities inherent in labour protection, repeated parrot-fashion in the European Commission's recent publications. The 2006 Green Paper on modernizing labour law or the Communication on 'flexicurity' from 2007 spin out the pre-packaged thinking current among the elites of all the member-states, regardless of their political sensibilities—couched in a newspeak of which the Commission is a master.

To conceptualize labour 'beyond employment' naturally does not imply the disappearance of employment, any more than thinking of labour 'beyond France' implies the disappearance of France; it remains an essential part of labour's status. But formal employment no longer provides (if it ever did) a normative framework that can ensure that everyone on the planet has decent work. The crisis of the Fordist industrial model ought to be used as an opportunity to improve the lot of the majority, instead of leading to the dismantling of social security provisions attached to work and a return to the unbridled exploitation of the weakest. This, of course, in the name of individual liberty: the freedom to be paid less than the standard rate, to do a 15-hour day, to work on Sundays instead of spending the day with one's children, postpone retirement, renounce any attempt to assert one's legal rights and so on. A programme to which the Right has had no trouble at all in winning over a 'social' Left which has lost interest in workers' conditions.

Contrary to the slogan, 'There Is No Alternative', the crisis of the industrial employment model confronts us with a choice. The problem is that this choice is not expressed in the political arena. In order to understand its terms, we need to return to the 'invention' of employment, the product of a historic compromise. This process was memorably described (and criticized) by the Italian trade-union leader Bruno Trentin, in his *La città del lavoro*—sadly never translated into French, or English.<sup>3</sup> On the one hand, trade unions and left parties came to accept that, in both

<sup>1</sup> Alain Supiot, *Au-delà de l'emploi: Transformations du travail et devenir du droit du travail en Europe*, Paris 1999; English edition: *Beyond Employment: Changes in Work and the Future of Labour Law in Europe*, Oxford 2001. This interview first appeared in *Esprit*, January 2009.

<sup>2</sup> See, for example, Jean-Luc Gréau, *Le capitalisme malade de sa finance*, Paris 1998.

<sup>3</sup> Bruno Trentin, *La città del lavoro: sinistra e crisi del fordismo*, Milan 1997.

the socialist and capitalist worlds, workers should be subjected to a scientific organization of labour responding exclusively to the imperatives of efficiency, not of justice. On the other, big business eventually internalized the idea that improving the incomes and economic security of their employees was not only a legitimate goal but brought increased efficiency in terms of productivity and market openings.

It is this founding pact on employment that was broken thirty years ago. There were various reasons for this, but one of the most important was the dismantling of international trade barriers, and the generalized competition this created between Northern workers and those in the South. Big business was thus able to have its cake and eat it: a global monopoly on the organization of labour and productivity increases, but also drastic reductions in the 'cost of labour' and a corresponding rise in profits. From the standpoint of labour law, the question is how to establish a new founding pact for the world of work, taking account of the objective changes that have occurred in the organization of labour, but also of the imperative of social justice—an imperative that cannot be sidelined for long without inviting an inexorable rise in insecurity and violence.

In *Beyond Employment* our response was to propose that this new pact—unlike its predecessor—be founded on the freedom and responsibility of human beings, not on their subordination or their 'programming'. We emphasized the idea of a 'labour-force membership status' which would allow people to exercise real freedom of choice throughout their lives: to move from one work situation to another and to reconcile their personal with their professional life. Approaching the question in these terms led to a fresh reading of the old concept of 'juridical capacity', expanded to include individual and collective capabilities.<sup>4</sup> This contributed to renewed thinking about the goals of trade-union activity. The CGT has begun to formulate the question in terms of 'professional social security', and the CFDT as 'security of professional trajectories'.

Although seemingly inspired by a similar approach, combining liberty and security, the European Commission's promotion of a policy of 'flexicurity' in fact followed precisely the opposite path—considering people as 'human capital', who needed to ensure their 'employability' so

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<sup>4</sup> See also Simon Deakin and Alain Supiot, *Capactas: Contract Law and the Institutional Preconditions of a Market Economy*, Oxford 2009.

that they could respond, in real time, to the demands of 'value creation' as expressed in financial markets. Merely comparing these concepts—freedom versus flexibility, capability versus employability, labour-force membership status versus human capital—is enough to bring out what distinguishes them. In one case, the starting point is human creativity, and there follows an attempt to construct a system of laws and an economy that will allow people to express themselves and satisfy their needs; in the other, the starting point is the supposed infallibility of the market, and the aim is to provide businesses with a human 'resource' that will respond to their needs.

*Current studies tend to stress the diversity of European social models, and to see labour-protection systems as embedded in the different cultural heritages of each country. Does the possibility of a Europe-wide 'convergence' on employment protection seem realistic to you?*

Of course, to advocate, as some people do, making Europe into one big Denmark is neither more realistic nor more desirable than wanting to abolish multilingualism, in order to commune together in English at the altar of the single market. But one should not go too far in the opposite direction. The distinguishing feature of the European Community, compared to other customs unions was, until recently, that it did not confine itself to the free movement of goods and capital, but rather set itself the goal of creating a 'social Europe'. The Treaty of Rome stated that the free movement of people would go hand-in-hand with the 'improvement of the living and working conditions of labour so as to permit the equalization of such conditions in an upward direction'.<sup>5</sup> The construction of this social Europe remained, despite constant political obstruction by the British government, a goal shared by all other members of the EC, until its enlargement to include the former Communist countries. Competition between states and firms was thus subordinated to social enforcement rules, from which only the UK was partially exempt.

Despite the weakness and imperfections of this European social model, the EC remained faithful to the ideals of liberty and social justice of the postwar period, rejected from the outset by the Communist states and repudiated by the Anglo-Saxon countries and their continental epigones. In some respects the model has proved astonishingly robust, as

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<sup>5</sup> As set out in Article 117 of the Treaty.



demonstrated by the contributory pension schemes that have resisted assaults from those seeking to replace them with self-funded systems, which would only have increased the stakes being gambled away on the stock exchange. Comparative analysis helps us glimpse—beyond the obvious diversity of national systems—the possibility of a European model combining both freedom and security. In legal terms this could take the form of a protective statute that would figure in every employment contract, covering a whole lifetime. That level of universality would be needed in order to realize the model on a Europe-wide scale; then, of course, it could be adapted to take account of each country's culture. For example France is dominated by public-sector employment; the evolution of that form could be the key to a renovation of our entire system of labour relations. The civil service is still in many ways the country's spinal column, and offers a juridical framework through which limited-term employment contracts could be integrated into a professional statute that would guarantee life-long economic security.

*Isn't there a risk that the unification of Europe—market-driven, and limited to the promotion of competition and flexibility—will be seen as a threat by wage-earners, since employment protection is only available at a national level? Is increasing Euro-scepticism likely to be the upshot of this type of unification?*

The European Community was the product of a political ambition to put an end to the bloody history that had brought about the collapse of virtually every state on the continent. That ambition took an economic detour: Europe's peoples were invited to link their fortunes through their material interests and by opening their markets. True to an idea that dates back to the Enlightenment, the founding fathers saw trade as a means not only for making goods circulate, but for bringing people together. In that sense, the construction of Europe carried a double promise: firstly, the economic promise of Article 117, and secondly, a political promise of the unification of Europe around the values of freedom and solidarity—vital for peace, as the two World Wars had shown.

The accession of the former Communist states offered a historic opportunity to refound the Union on the basis of solidarity between its peoples, and give fresh impetus to the social model. Europe could then have become a real laboratory for 'progressive equalization' between 'rich' and 'poor' countries—an international social model for better working and living conditions. But for that to have happened, the accession

would have had to have been conceived not just as enlargement, but as a genuine *reunification* of Europe. That in turn would have required taking into account the particular experience of each of these countries, and rethinking from first principles how social justice could operate within a community of states that have neither a common history or political culture, nor the same level of material wealth. It would have meant a reformulation of Europe, with the West agreeing to finance a generous 'Marshall Plan' for the East, and the East agreeing in return not to resort to social and fiscal dumping so as to compete with the countries from which it was seeking aid.

In practice, however, enlargement has simply meant the alignment of the East to the rules of the West. The collapse of the Soviet empire was interpreted by the Atlanticist powers as the final victory of their social model—historic proof of its absolute superiority. This path involved repeating on a much larger scale the mistake made by the Federal Republic of Germany of annexing the Eastern *Länder*, instead of working with them to establish a new constitution. Western Europe believed it could without further ado implant the *acquis communautaire* in countries with entirely different histories, political and juridical cultures, and levels of wealth from its own. The market economy and 'social dialogue' were imposed on countries that lacked entrepreneurs or independent trade unions, with Brussels presuming to lay down the law in states marked by a nationalism which, after decades of submission to the USSR, was quick to take offence. Whereas a reunification of Europe would have required the sealing of a new social pact, taking account of existing inequalities between member-states and aiming to 'equalize upwards', enlargement undermined the political foundations of an already fragile European social model.

Trained in the school of real Communism, and freshly converted to the benefits of the market, the ruling classes of the new member-states were hardly likely to be sensitive to ideals of respect for the rule of law and social justice. But their purely instrumental conception of legality made them perfectly ready to espouse neoliberal prescriptions, and replace the dictatorship of the proletariat with that of the market. This worldview has found untrammelled expression within the most juridically powerful, but also least democratic, institution in the EU: the European Court of Justice. Until recently marked by a sensible prudence in the social sphere, the Court has become a spearhead for enforcing downward competition

between European workers, ever since the entry of several judges from ex-Communist countries. It has now set about allowing businesses in those countries to make full use of their 'comparative advantage' in the social sphere: in principle, banning strikes against relocations; exempting firms from the collective conventions of other countries in which they operate; and dismissing rights to national wage levels.<sup>6</sup>

Alongside this social disillusionment, the EU's promise of peace has also been put into question. The fall of the Iron Curtain, without a single bullet being fired, held out the vision of a Europe reunified around a common political project, symbolized by the plan for a common currency. But the hope of seeing the European Union assert itself as a force for peace at international level went up in smoke with the Iraq war and the political rift it revealed. Not between peoples, since the unleashing of this war in violation of international law provoked, for the first time, the expression of a united European public opinion: a majority in every country was hostile to the invasion. Rather, it was a rupture between the governments of 'new' and 'old' Europe, resolved in the end by a takeover of the latter by neoconservative forces. Euro-scepticism springs from this double betrayal of the promises of peace and prosperity. The refusal by Europe's rulers to take account of its electoral expression can only serve to exacerbate it.

*Does the European Union simply reinforce the logic of globalization, then, or could the region serve as an appropriate level for articulating law and territory?*

The answer does not depend on the supposed nature of things but on political choices, which need to be framed clearly if we do not want to see Euro-scepticism end in identitarian furies of the kind that gripped the Balkans. The de-territorialization of law is ultimately only one aspect of the process of globalization, which also finds expression in uncontrolled forms of re-territorialization—the dislocation of urban space in ghettos and gated communities, the rise of regional irredentisms and so forth. Stoked by deepening inequalities in material wealth, and daubed in the colours of multiculturalism, this territorial fragmentation hardly presages the society of the good life. Europe is indeed the appropriate

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<sup>6</sup> See, respectively, the European Court rulings on the Viking and Laval cases of 6 and 18 December 2007; on the Laval case and the Rüffert case of 3 April 2008; and on the Commission vs France case of 15 June 2006.

level for redesigning frontiers that would be neither walls nor sieves. But this presupposes that it ceases to be a 'limited democracy' within which, in accordance with Hayek's view, questions of the division of labour and distribution of wealth are removed from political discussion, to be governed by the 'spontaneous order' of the market. A return to the political is a precondition for posing the only worthwhile question, if we are not to resign ourselves to mass pauperization: which European trade boundaries are best able to safeguard the interests of the greatest number of people?

In order for this question—taboo on left and right alike—to be asked, European democracy must cease to be an empty phrase. For example, rather than the European Parliament being elected on the basis of national constituencies, voting for MEPs should take place on a truly European scale. Party lists of candidates from all member-states should be pitted against one another, with each putting forward a project for Europe that would transcend national borders. A reform of this kind would help to get Europe out of its rut, and return to its citizens the feeling that their destiny has not already been written by others.

*Can Europe, or the EU, represent more than an economic and juridical project? Can one speak of 'European values', for example, without renouncing the universality of human rights?*

For the drafters of the UN Declaration of 1948, affirming the universality of human rights was not intended as a means to homogenize civilizations and ways of life. Rather, it was a question of drawing lessons from the bloody impasses to which projects for the scientific management of 'human material' had led. In this tragic history, Europe bears a heavy responsibility, and it was the recognition of those impasses that gave birth to the project of the Community. On the basis of that experience, it ought now to be able to present a different face of the Western world to that of the US, one less inclined to preach and more attentive to the way in which others see the future. On this point, there is room for a real political debate between those wanting to forge a common Euro-American front against the 'rest of the world', and those who think that, on the contrary, Europe should learn from its mistakes and from an awareness of its own diversity, to find the means for making a different voice heard, and the ambition to become a crossroads of civilizations.

The urgent priority today is to reformulate the questions we need to resolve. In the state of increasing political cretinism in which the EU currently finds itself, these questions are reduced to a caricatured contest between 'pro' and 'anti' Europeans, or between supporters and adversaries of the market economy. The real problems lie elsewhere. Just as there is no single market economy, but rather a range of juridical arrangements establishing different types of markets—according to the nature of the products and services exchanged, but also to histories and cultures—so there is no single European project, but rather several, on the economic and social plane as much as on that of international politics. One of the essential 'values' that has characterized Europe since the Enlightenment has been a faith in the capacity of people to govern themselves, and to be the architects of their own destiny. It is not by giving lessons in democracy to the rest of the world that the EU will remain faithful to this legacy, but by itself becoming a democratic arena in which it is possible to debate and choose between these different possible Europes.

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## MYTHS OF NEOLIBERAL DEREGULATION

**I**F A SINGLE root cause has predominated in explanations of the current global financial crisis, it is 'deregulation'.\* Lack of state oversight of financial markets is widely cited—not only in the opinion columns of the financial press, but by left-wing commentators, too—as having permitted the perilous over-leveraging of financial institutions, based on weakly securitized debt, that has brought about the present debacle. This diagnosis of the cause of the crisis also steers towards a particular solution: if deregulation allowed markets to get out of control, then we must look to re-regulation as the way out. Thus Will Hutton sees the subprime crisis as the result of decades of laissez-faire policies, resulting in excessive financial growth and instability; now that 'Anglo-Saxon financial capitalism has suffered a fundamental reverse', he looks forward to the return of Keynesian regulatory policies. Eric Helleiner also hopes that 'the crisis may be pushing us toward a more decentralized and re-regulated global financial order . . . more compatible with diverse forms of capitalism' that would 'sit less comfortably with an entirely liberal set of rules for the movement of capital and financial services'. By contrast, Robin Blackburn's analysis of the crisis makes the point that 'financialization was born in a quite heavily regulated world', and he questions whether 'more and better regulation', even while needed, will 'be enough'. But his account of the crisis mainly emphasizes rampant financial innovation in an unregulated shadow banking system.<sup>1</sup>

For many authors, this focus on 'deregulation' in explaining the current crisis is closely associated with a Polanyian understanding of the shifting boundaries between state and market, which would see markets as having become 'disembedded' from the state. From this perspective, we may now be witnessing the start of a movement whereby the market will

be re-embedded in public norms and regulatory institutions. As Robert Wade recently wrote in these pages:

Governmental responses to the crisis suggest that we have entered the second leg of Polanyi's 'double movement', the recurrent pattern in capitalism whereby (to oversimplify) a regime of free markets and increasing commodification generates such suffering and displacement as to prompt attempts to impose closer regulation of markets and de-commodification.<sup>3</sup>

The central problem with this perspective is the tendency to analyse the financial dynamics of the past decades within the terms of that era's hegemonic self-representation—that is, through the key tenets of neoliberal ideology: the retreat of public institutions from social and economic life, and the return to a pre-Keynesian era of non-intervention. But it was only on the most stylized and superficial reading that the state could be seen to have withdrawn. Neoliberal *practices* did not entail institutional retreat so much as the expansion and consolidation of the networks of institutional linkages that sustained the imperial power of American finance. Of course it has become commonplace to assert that states and markets should not be seen as really counter-posed; but such claims have tended to remain rather perfunctory, and most research has remained guided by the notion that financial expansion has been accompanied by the attenuation of the state. A concrete account of the many ways in which the US state and financial markets are mutually constituted must necessarily involve an awareness that the practical effects of neoliberal ideologies are not well represented in those discourses themselves. Neoliberalism and financial expansion did not lift the market out of its social context; rather, they embedded financial forms and principles more deeply in the fabric of American society.

This is not to deny that changes in the mode of regulation played an important role in the developments that led to the crisis, but rather to argue that these should be situated within a wider context of financialized class relations. 'Deregulation' was determined not so much by ideological

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\* This article is adapted from 'The Political Economy of the Subprime Crisis', co-authored with Sam Gindin and Scott Aquanno, the new concluding chapter of Panitch and Konings, eds, *American Empire and the Political Economy of Global Finance*, second edition, forthcoming from Palgrave.

<sup>1</sup> Will Hutton, 'The US took action in the face of crisis', *Observer*, 21 September 2008; Eric Helleiner, 'The return of regulation', *Globe and Mail*, 18 September 2008; Robin Blackburn, 'The Subprime Crisis', *NLR* 50, March–April 2008.

<sup>2</sup> Robert Wade, 'Financial Regime Change?', *NLR* 53, September–October 2008, p. 6.



commitment to neoliberalism as by a series of pragmatic decisions, usually driven by the exigencies of the moment, to remove legal barriers to financial dynamics that had already gathered decisive momentum within the old form of regulation; such was largely the case with the Clinton Administration's repeal of the Glass-Steagall Act. Moreover, even with the removal of some restrictions, it was still the case that:

American financial markets are almost certainly the most highly regulated markets in history, if regulation is measured by volume (number of pages) of rules, probably also if measured by extent of surveillance, and possibly even by vigour of enforcement.<sup>3</sup>

### *'Beneficial' regulations*

Rather than seeing the relation between state and market in the neoliberal era in terms of deregulation, it may be more useful to trace the ways in which financialization developed through both old and new regulatory bodies. The securitization of commercial banking and expansion of investment banking was already visible in the 1960s, with the growth of the market for Eurodollars and the creation of the first viable computer models for analysing financial risk. The banking crisis of 1966, the complaints by pension funds against fixed brokerage fees and a series of Wall Street scandals served to indicate that, with the explicit encouragement of the state, the playing field for American finance had expanded far beyond what New Deal regulations could contain; the pressures culminated in Wall Street's 'Big Bang' of 1975. Meanwhile the collapse of the Bretton Woods fixed exchange-rate system, due to inflationary pressures on the dollar as well as the growth in international trade and investment, helped spark the derivatives revolution as demand rose for hedging risk by trading futures and options on exchange rates, as well as on interest rates for government and private securities.

The Commodity Futures Trading Commission was created in 1974 to regulate derivatives in such a way as to facilitate their development, not least to meet the growing demand for the spreading and hedging of risk in the expanding currency and credit markets. Leo Melamed, who (with Milton Friedman's help) led the Chicago Board of Trade in developing the futures market in currencies, explicitly recognized that the CFTC

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<sup>3</sup> Donald MacKenzie, 'Opening the black boxes of global finance', *Review of International Political Economy*, vol. 12, no. 4, 2005, p. 569.

would be 'beneficial to the growth of our markets. Our plans relating to new financial-instrument futures were ambitious and could be greatly assisted by a federal stamp of approval'.<sup>4</sup> It was not neoliberal ideology that broke the old system of financial regulations, but rather the contradictions that had emerged within that system. State agencies like the CFTC were keen to promote the spreading and hedging of risk by private actors who developed, invested and speculated in derivatives. This determined the 'why not' attitude it adopted, allowing plenty of space for self-regulation and innovation. This approach was confirmed in 1978, when the Treasury concluded that the exchange of derivatives on US Treasury bonds, brought to the markets by the New York Fed, would help stabilize and increase holdings of US debt.<sup>5</sup>

As financial markets grew both in the US and internationally through the 1980s, they extended the concept of risk trading to all forms of credit, not just interest and exchange rates. New kinds of derivative contracts, such as credit-default swaps, were increasingly traded 'over the counter' between financial institutions. The reluctance of the CFTC, the Fed and the Securities and Exchange Commission to rein in this development was sealed by Clinton Administration legislation in 1993, exempting a series of swap and hybrid derivative instruments from regulation. In the wake of the 1998 Long-Term Capital Management crisis, CFTC chairwoman Brooksley Born did warn that 'this episode should serve as a wake-up call about the unknown risks that the over-the-counter derivatives market may pose to the US economy and to financial stability around the world'. But Born's attempt to secure legislation to allow the CFTC to investigate the market ran into strong opposition from Rubin, Summers and Greenspan at the US Treasury and Federal Reserve, as well as from senators like Phil Gramm, known to be in Enron's pocket. 'Regulation of derivatives transactions that are privately negotiated by professionals is unnecessary', Greenspan declared. 'Regulation that serves no useful purpose hinders the efficiency of markets to enlarge the standard of living.'<sup>6</sup> Behind these

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<sup>4</sup> Leo Melamed, *Leo Melamed on the Markets*, New York 1992, p. 10; Bob Tamarkin, *The Merc: The Emergence of a Global Financial Powerhouse*, New York 1993, p. 217.

<sup>5</sup> Charles Seeger, 'The Development of Congressional Concern about Financial Futures Markets', in Anne Peck, ed., *Futures Markets: Regulatory Issues*, Washington, DC 1985, pp. 12–14.

<sup>6</sup> Brooksley Born, 'International Regulatory Responses to Derivatives Crises: The Role of the US Commodity Futures Trading Commission', *Northwestern Journal of International Law and Business*, vol. 21, no. 3, 2001; Anthony Faiola et al., 'The Crash: What Went Wrong?', *Washington Post*, 15 October 2008.

neoliberal nostrums was the fear that to start regulating over-the-counter derivative swaps now could spark a crisis, due to the 'legal uncertainty' this would create regarding the trillions of dollars in contracts involved, as the 1999 Report of the President's Working Group on Financial Markets, of which Larry Summers was the lead author, gingerly put it:<sup>7</sup>

In the dying months of the Clinton Administration, with Summers now Treasury Secretary himself, the Commodity Futures Modernization Act was passed, solidifying the 1993 legislation's derivative exemptions. While Rubin went back to Wall Street (moving from Goldman Sachs to Citi), Summers's relocation to the presidency of Harvard may have suggested a greater independence from financial capital. His appointment as Senior Economic Advisor to the Obama Administration was thus an apparent contrast to the pipeline that seemed to link Wall Street, and especially Goldman Sachs, to the Treasury and the White House under both the Clinton and later Bush Administrations. Nevertheless, on April 4, 2009 the *Washington Post* disclosed that in 2008, Summers 'collected roughly \$5.2 million in compensation from hedge fund D. E. Shaw' as well as over '\$2.7 million in speaking fees from several troubled Wall Street firms and other organizations.' What could clearly be seen at work here was the complex intertwining of public and private careers and interests that informed the relationship between state and market institutions, both geared to fostering financialization.

### *Capital and empire*

Financialization functioned in a number of different ways to drive forward the American-imperial expansionism of the 1990s and early 2000s. The development of securitized markets and the internationalization of American finance provided risk-insurance in a complex global economy, without which accumulation would have been significantly restricted. In addition, the global predominance of US financial institutions helped

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<sup>7</sup> Larry Summers, Arthur Levitt, Alan Greenspan and William Rainer, *Report of the President's Working Group on Financial Markets*, November 1999. In his memoir, Robert Rubin claims that his experience at Goldman Sachs had taught him that there were 'situations where derivatives put additional pressure on volatile markets' and that 'many people who used derivatives didn't fully understand the risks they were taking', but that Summers 'thought I was overly concerned with the risk of derivatives'. Rubin doesn't explain why his deputy's views prevailed. Robert Rubin and Jacob Weisberg, *In an Uncertain World: Tough Choices from Wall Street to Washington*, New York 2003, pp. 287–8.

to mobilize cheap international credit for the American economy and so sustained its role as the world's prime consumer, even as US capital flowed out in the form of FDI and military expenditures. The dollar served as the key store of value and medium of exchange, while US Treasury bonds became the standard for the calculation of value in the world economy at large. As we shall see, financialization also played a vital domestic role, both by integrating subordinate classes into a web of financial relations through private pensions, consumer credit and mortgages, and through facilitating consumer demand in an era of stagnating wages and limitations on the welfare state.

But for all the functionality of financialization for imperial power, it also brought new contradictions. While asset inflation was considerably more in line with the purposes of American capital than the consumer-price inflation of the previous decades, it was also a deeply uneven process that was responsible for enormous volatility. The emergence and bursting of financial bubbles became a common feature of the system, and successful state interventions to contain them reinforced the notion that future bubbles could be managed. Washington's highly pro-active role in containing domestic and international financial crises from the 1980s on was perhaps the most concrete demonstration that the alleged withdrawal of states from markets was an ideological illusion. If neoliberal policies engendered a great deal of financial activity, the effect of this was not to subordinate state capacities to market forces but rather to make political interventions all the more necessary—not least in fighting fires sparked by financial volatility—as well as more feasible. Financialization enlarged the American state's role both directly and multilaterally, even as it extended the strategic leeway available to capital. The result was the step-by-step construction of a too-big-to-fail regime, whereby intermediaries that were so large and interconnected that their failure would bring down a significant part of the system could count on the US state, and especially the Treasury, to come to the rescue.

The repeated economic interventions of the American state, while driven by the exigencies of the moment, were never as incidental or exceptional as they were often portrayed. On the contrary, they were part and parcel of the distinctive policy practices of the neoliberal era. Both the Fed and the Treasury, faced with constant financial volatility and intermittent

crises, developed a range of institutional capacities to cope with this. But such institutional capacities should not be seen as standing above the financial world that they regulated; rather, they were embroiled in its contradictions. The increasingly enhanced role of the state, including the discriminatory practice of showering liquidity on crisis-hit banks in the North while imposing discipline and austerity in the global South, built up 'moral hazard' even as it generated financial innovation and expansion. Although too-big-to-fail policies are often portrayed as a last resort, indicative of neoliberalism's essential lack of coherence, instances when the US government led the way by stepping in to contain financial crises were hardly exceptions to the rule. In that sense, the massive interventions by the Bush and Obama Administrations in the course of the current crisis are merely the culmination of the long series of interventions that marked the neoliberal era.

### *Mortgaging the Great Society*

Little sense can be made of the crisis without a clear understanding of its domestic roots, which lie in networks of financialized power that have subjected working- and middle-class Americans to a regime of debt. Constrained in what they could get from their labour after the defeats suffered by the trade-union movement in the 1970s and 80s, US workers were drawn into the logic of asset inflation in the age of neoliberal finance not only through the institutional investment of their pensions, but also via their one major asset: the family home. As the 'Great Society' public-spending programmes of the 1960s ran up against ballooning military budgets and calls for anti-inflationary policies to sustain the dollar, financial markets were deployed to solve social problems such as the crisis of inadequate housing in US cities. Under the Carter Administration, Freddie Mac and Fannie Mae were required by the 1977 Community Reinvestment Act to underwrite home loans by banks in poor communities. This effectively opened up the market in mortgage-backed securities for low-income family housing. One of the great ironies of the civil rights and feminist movements was that, just as banks and credit-card companies were pressed to develop colour- and gender-blind risk models—creating greater equality of opportunity for getting into debt—they also subjected more and more people to the patterns of discipline and crisis within contemporary financial markets.

These policies not only gave a significant boost to the mortgage market and home-ownership rates, but also installed an infrastructure for the dramatic growth of household debt over the next decades. The era of neoliberalism did not bring about an absolute deterioration of living standards for most American working families: high levels of consumption were sustained by the accumulation of household debt and the intensification of labour—more family members working longer hours, under harsher conditions, subject to the discipline of having to meet debt payments. The inegalitarian effects of neoliberal policies helped push Americans to base many of their financial decisions on the belief that home-ownership was risk-free and guaranteed annual equity increases; such attitudes received ample official encouragement. From the 1980s, as the Reagan Administration accelerated the assault on labour rights and public provision, home-owners turned to cashing out the ‘wealth effect’ of rising property values, using such devices as Home Equity Lines of Credit. The securitization-based re-structuring of the mortgage sector in the wake of the 1984 Savings and Loan crisis fostered the link between consumption and real-estate values; this combined with the timeless allure of home-ownership to create a self-reinforcing spiral of growing market demand and rising house prices.

Markets for securitized mortgages took off after the recession of the early 1990s. The Clinton Administration was keen to promote market-based alternatives to public income in order to ‘end welfare as we know it’. It especially sought to integrate working-class Black and Hispanic communities into mainstream housing markets. The flood of new buyers (and speculators) drove a steady rise in home prices. In the wake of the Asian financial crisis and the collapse of the dot-com boom, which lowered the security offered by the stock market for investments or pension funds, the housing market emerged as a key source of wealth for many American wage-earners. Yet realization of the American dream of home-ownership on this scale was only possible because financial intermediaries were frantically creating domestic-mortgage debt, in order to package and resell it in the market for structured credit. Already well underway during the 1990s, the trend was given a great fillip by the Fed’s lowering of real interest rates in the aftermath of the dot-com meltdown and 9/11. Commercial banks competed to extend residential mortgages in order to bundle and transfer these to investment banks. Loan originators increasingly became transmission belts, shipping debt to the financial marketplace. Such securitization procedures allowed

banks to tap into new revenue sources as they faced diminishing returns on traditional services. The possibility of earning fees on debts that could be moved off the balance sheet made banks more willing to increase their exposure to low-income households. Between 1990 and 2006, the amount of residential debt held by issuers of asset-backed securities increased from \$55bn to \$2,117bn.<sup>8</sup>

Much of this edifice of financial obligations was built through the 'shadow banking system'. In order to leverage their resources and enhance their lending capacity, banks increasingly shifted their commitments to so-called special investment vehicles (sivs), which did not fall under the Fed's regulatory purview. The shadow banking system opened up to a wider world of structured finance: asset-backed securities, derivative instruments based on them, more derivatives based in turn on those derivatives, and an infinite variety of insurance instruments. Had the Fed been so inclined, it undoubtedly could have made more effort to impose regulations to limit the proliferation of off-balance-sheet financial obligations. But Greenspan chose not to. As he put it in 2005, 'information processing technologies had enabled creditors to achieve significant efficiencies in collecting and assimilating the data necessary to evaluate risk.' When combined with the risk equations in credit-scoring models, this ensured that 'where once marginal applicants would simply have been denied credit, lenders are now able to quite efficiently judge the risk posed by individual applicants and price that risk appropriately.' It was these improvements that 'led to rapid growth in subprime mortgage lending'. The great accomplishment of 'innovation and structural change in the financial services industry' had been 'expanded access to the vast majority of consumers, including those of limited means'.<sup>9</sup>

The transformation of debt—not just mortgages, but also credit-card debt, student loans, etc.—into asset-backed securities became a central source of liquidity creation for American capitalism, generating a jumble of derivative and securitized instruments which rapidly spread onto the books of a wide variety of institutions, including the great New York investment banks and insurance companies. The worlds of

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<sup>8</sup> US Census Bureau, *Statistical Abstracts of the United States*, 2008.

<sup>9</sup> Alan Greenspan, Federal Reserve System, Community Affairs Research Conference, Washington DC, 8 April 2005.

high and low finance became closely interconnected in this volatile mix of finance and poverty.

The problems in the residential mortgage market can be traced directly to households' growing payment burdens. In the short term Americans were able to manage this by re-financing, at attractive rates; but this of course only added to the structural burden. As families pressed against the limits of continually increasing their total working hours, the real income of the median US household continued to fall after the downturn of 2001. With the middle-class market effectively saturated, mortgage companies began structuring loans to capture poorer households, offering Adjustable Rate Mortgages (ARMs) with low 'teaser' rates for an initial two-year period. By 2006 subprime loans represented 28 per cent of total US mortgages, and subprime mortgage-backed securities had become the largest component of the American market for asset-backed securities.<sup>10</sup> Meanwhile, against a backdrop of war in Iraq and Afghanistan, and a faltering economy, the Fed moved to support a sliding dollar by raising interest rates by a full 4 percentage points between mid-2004 and mid-2006; this translated into even higher interest premiums on subprime issues. By 2006, the delinquency rate on subprime mortgages had risen by over 4 per cent; by 2007, the rate was nearly 17 per cent.<sup>11</sup>

During the summer of 2007, it was widely reported that large amounts of debt were owed by households that were simply incapable of generating the income needed for their repayment. The course of events that followed is well known. As the number of subprime defaults grew, investors began selling their asset-backed commercial paper, thereby sparking a liquidity crunch in the wider commercial-paper market. And as more paper matured and required re-financing, pressure on SIVs increased, forcing them to sell some assets into a bad market while still holding hundreds of billions in long-term securitized debt on their books. A 'gangrene of fear' began to infect the major banks, as investors realized they were exposed to SIVs in unexpected ways.<sup>12</sup> They began to hoard liquidity, as dramatic write-downs of their CDO portfolios wiped hundreds of

<sup>10</sup> Karen Weaver, 'US Asset-Backed Securities Market: Review and Outlook', in Deutsche Bank, *Global Securitization and Structured Finance 2008*, Table 3.

<sup>11</sup> US Census Bureau, *Statistical Abstracts of the United States, 2005–2007*.

<sup>12</sup> Gillian Tett, 'US Treasury hopes actions speak louder than words', *Financial Times*, 23 March 2009.



billions from their balance sheets. Such events were at the root of the Bear Stearns and Lehman Brothers failures.

As the malaise in the mortgage market spread to other sectors and triggered a virtual freezing of the market for interbank lending, authorities reached deep into their policy arsenal, trying one thing after another to unblock the system. But the persistent illiquidity of the markets reflecting the lack of income streams, and the fundamental insolvency of financial institutions that this had given rise to, were the manifestations of deep-rooted contradictions. The guarantees and bailouts that first Paulson and now Geithner have made available have so far prevented a full systemic collapse; but they have been unable to flush the bad debts out of the system and restore market liquidity. Estimates on the total losses on US assets now range from \$2,200bn (IMF) to \$3,600bn (Nouriel Roubini), the latter amount representing over five times the value of the first TARP.<sup>3</sup> But as the looming scandal over bonuses paid to managers in bailed-out firms has made clear, for the American state to assume ever greater responsibility for banks' risk is likely to be a politically hazardous project if it leaves the benefit in private hands. It is as a result of this inescapable tension that the prospect of bank nationalization, on a scale far greater than had ever been contemplated, let alone practised by the American state, made its way into mainstream public discourse.

### *Nationalization?*

Mainstream commentators and policymakers, Greenspan among them, have begun to broach the idea of public control over significant parts of the financial system. While they may find the idea of public ownership distasteful in principle, many have come to recognize that institutions are being nationalized piecemeal. Hedge-fund managers have called for a more coherent approach to bank nationalization—albeit one that still adheres to the basic principles of a market economy:

If a failing firm is deemed 'too big' for that honour, then it should be explicitly nationalized, both to limit its effect on other firms and to protect the guts of the system. Its shareholders should be wiped out, and its management replaced. Its valuable parts should be sold off as functioning businesses to the

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<sup>3</sup> Martin Wolf, 'Why Obama's new Tarp will fail to rescue the banks', *Financial Times*, 10 February 2009.

highest bidders—perhaps to some bank that was not swept up in the credit bubble. The rest should be liquidated, in calm markets. Do this and, for everyone except the firms that invented the mess, the pain will likely subside.<sup>4</sup>

This echoed the case for turning the banks into a public utility made on 17 September 2008 by a former member of the Bank of England's Monetary Policy Committee, Willem Buiter, on his *Financial Times* blog:

There is a long-standing argument that there is no real case for private ownership of deposit-taking banking institutions, because these cannot exist safely without a deposit guarantee and/or lender of last resort facilities, that are ultimately underwritten by the taxpayer . . . The argument that financial intermediation cannot be entrusted to the private sector can now be extended to include the new, transactions-oriented, capital-markets-based forms of financial capitalism. The risk of a sudden vanishing of both market liquidity for systemically important classes of financial assets and funding liquidity for systemically important firms may well be too serious to allow private enterprises to play. No doubt the socialization of most financial intermediation would be costly as regards dynamism and innovation, but if the risk of instability is too great and the cost of instability too high, then that may be a cost worth paying . . . From financialization of the economy to the socialization of finance. A small step for the lawyers, a huge step for mankind.

The logic behind this argument was compelling. But just as the UK Labour Government's provision of massive public capital to the banks in October 2008 ensured that they would still 'operate on a commercial basis', at arm's length from government control, so did the US Treasury, no less under Geithner than under Paulson, draw back from taking direct control over companies in which it became the major stockholder.<sup>5</sup> Maintaining the old Washington–Wall Street arrangements presented political pitfalls. Congressmen who had insisted that the condition for putting public money into the car companies was for autoworkers' contracts to be torn up and renegotiated felt that Geithner had put them in an untenable position when it emerged that AIG executives had been paid millions in bonuses—hence the furore that engulfed the Treasury Secretary in March 2009.

<sup>4</sup> Michael Lewis and David Einhorn, 'How to Repair a Broken Financial World', *New York Times*, 3 January 2009.

<sup>5</sup> Philip Hampton and John Kingman, 'Mandate to protect taxpayers' investment', *Financial Times*, 13 November 2008.

When Geithner finally laid out the Treasury's plan in detail in late March 2009, it was explicitly presented as a new version of the private-public partnerships that had become so common under neoliberalism. Along the lines of the government's Resolution Trust Corporation during the Savings and Loan crisis, five public-private 'asset-management funds' were to be set up, using the remaining TARP funds as equity and subsidies in the form of interest-free loans from the Fed and the FDIC, to kick-start a market in the banks' 'legacy' assets (the new name in which the toxic mortgage and loan derivatives were now to be dressed). Martin Wolf accurately summed up the essence of the plan:

Under the scheme, the government provides virtually all the finance and bears almost all the risk, but it uses the private sector to price the assets. In return, private investors obtain rewards—perhaps generous rewards—based on their performance via equity participation, alongside the Treasury. I think of this as the 'vulture fund relief scheme'.<sup>16</sup>

### *The new regulators*

The practices of the neoliberal era were anchored not just in the hegemonic ideas of Hayek or Friedman but in a much wider network of capitalist power relations, shaped over the course of many decades. The speed with which neoliberal nostrums are giving way to a new 'common sense' that stresses prudent regulation should alert us to the degree of continuity between their underlying practices; both discourses serve to paper over the more fundamental social and economic tensions that have been produced over the course of the neoliberal era. This 'premature harmonization of social contradictions', to borrow Ernst Bloch's term, has a wide resonance. The advocacy of regulation has an important role to play in re-integrating angry social strata into an economic system marked by vast inequality. It was the notion that the benefits of capitalist wealth can be universalized which motivated the 1970s advocacy campaigns to secure 'equal-opportunity financialization'. The 'reform' of financial institutions has long been structured in such a way as to leave control in the hands of financial elites, who exploited this to their

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<sup>16</sup> Wolf, 'Successful bank rescue still far away', *Financial Times*, 24 March 2009. See also Tett, 'US Treasury hopes actions speak louder than words'; Edmund Andrews, Eric Dash and Graham Bowley, 'Toxic Asset Plan Foresees Big Subsidies for Investors', *New York Times*, 21 March 2009.

advantage. There is little reason to suppose that the new common sense concerning the benefits of prudent regulation will constitute an exception to this pattern, unless these new ideas are connected to a much wider groundswell of dissent and activism.

The outrage directed at Wall Street today recalls a long tradition of populist resentment against financiers, and suggests that elements of this tradition have persisted alongside the ever-increasing integration of 'working people' into capitalist financial relations. Yet populism has also long been used to manipulate anti-authoritarian mass sentiments in ways that fortify political authority; the curious mix of individualism and conformity that Tocqueville noted in American society is epitomized today by Fox News. American elites have developed an uncanny capacity to play to such sentiments. This dialectic of uproar and integration was amply illustrated in the wake of the dot-com meltdown, as widespread practices of corporate fraud emerged. The ensuing legislation provided only a minimal degree of protection from 'Enronitis', and did nothing to help those who had lost their jobs or their pensions.<sup>17</sup> But the sight of a few CEOs being led away in handcuffs served to assuage the flurry of popular anger, while financial elites continued devising chains of intermediation of which they were the main beneficiaries, just as before.

With the unravelling of the current crisis, the vilification of financiers has become widespread. As he struggled to get his TARP plan through Congress, Paulson felt compelled to avow to the House Financial Services Committee that 'the American people are angry about executive compensation, and rightfully so'. This was rich, coming from the man who had been Wall Street's highest paid CEO before joining the Treasury, receiving an annual \$38.3m in salary, stock and options, plus a mid-year \$18.7m bonus on his departure from Goldman Sachs, as well as an estimated \$200m tax break against the sale of his almost \$500m shareholding in the company (to avoid 'conflict of interests' in his new job).<sup>18</sup> In the absence of a traditional state bureaucracy, leading corporate lawyers and financiers have long moved between Wall Street and Washington, acting in one sphere to introduce new regulations 'in the public interest' while

<sup>17</sup> Susanne Soederberg, 'A Critique of the Diagnosis and Cure for "Enronitis": The Sarbanes-Oxley Act and Neoliberal Governance of Corporate America', *Critical Sociology*, vol. 34, no. 5, 2008.

<sup>18</sup> David Stout, 'Paulson Gives Way on CEO Pay', *New York Times*, 24 September 2008; Simon Bowers, 'Wall Street Man', *Guardian*, 26 September 2008.

in the other they specialize in discovering regulatory loopholes through which to squeeze. They have proved adept at pacifying explosions of popular discontent triggered by financial scandals and crises with promises of new regulatory frameworks, processes of 'codification, institutionalization and juridification' which in fact serve to lay the foundations for the further growth of finance capital.<sup>19</sup>

Acknowledging before the Congressional hearings that Wall Street's exorbitant compensation schemes were 'a serious problem', Paulson immediately added 'we must find a way to address this in legislation *without undermining the effectiveness of the programme*'.<sup>20</sup> An identical appeal was made by Obama six months later, when his Treasury Secretary's plan for leveraging private investments with huge public subsidies was unveiled amid mass outrage over the AIG bonuses. 'You've got a pretty egregious situation here that people are understandably upset about', Obama said. 'So let's see if there are ways of doing this that are both legal, that are constitutional, that uphold our basic principles of fairness, but don't hamper us from getting the banking system back on track'.<sup>21</sup> The 'but' here spoke volumes about how social justice is necessarily trumped by the goal of returning to business-as-usual.

### *Global bankers' bail-out*

In the wake of the March 2009 scandal over the \$165m bonuses paid to AIG executives, critical commentators began to point out that this amounted to 'less than 0.1 per cent—one thousandth—of the \$183 BILLION that the US Treasury gave to AIG as a "pass-through" to its counterparties'.<sup>22</sup> Another commentator saw a 'Katrina moment' in the public evasions offered by Summers, Obama's new Chief Economic Advisor, on the 'counterparties' that AIG had paid off. Yet

even as Summers spoke, AIG was belatedly confirming what he would not. It has, in essence, been laundering its \$170 billion in taxpayers' money by paying off its reckless partners in gambling and greed, from Goldman

<sup>19</sup> Michael Moran, *The Politics of the Financial Services Revolution: The USA, UK and Japan*, New York 1991, p. 13.

<sup>20</sup> Quoted in Stout, 'Paulson Gives Way'; italics added.

<sup>21</sup> Andrew Ward, 'Obama urges restraint over bonus penalties', *Financial Times*, 24 March 2009.

<sup>22</sup> Michael Hudson, 'The Real AIG Conspiracy', *Counterpunch*, 18 March 2009.

Sachs and Citigroup on Wall Street to Société Générale and Deutsche Bank abroad.<sup>33</sup>

The question left hanging was whether such evidence that Washington was using public money to bail out not only Wall Street, but foreign banks as well, would undermine the American state's balancing act between its domestic and imperial roles. For the most part, at least since the 1930s, US governments have been able to handle this tension. The Obama Administration will be no less committed than its predecessors to sustaining its imperial responsibilities in the domain of the global political economy. European leaders have been quick to credit the US Treasury for 'acting not just in the US interests but also in the interests of other nations'.<sup>34</sup> The US was not being altruistic in this, since not to do so would have risked a run on the dollar. But this is precisely the point: Washington cannot act in the interests of US capitalism without also reflecting the logic of American capital's integration with global capitalism, both economically and politically.

In this context, not too much should be made of such differences in approach as exist between European governments that favour more multilateral regulation and a US administration which stresses greater coordination of fiscal stimuli. Indeed, current initiatives for better documentation and regulation of banks' off-balance items and over-the-counter derivatives, and a reversal of the trend to privatize risk-management and credit-rating functions, may be considered part of a process of 'market-making'. The increased involvement of public institutions in the assessment of financial risk can still lay the foundations for further commodification and the penetration of financial forms and principles into the farthest reaches of social life. Just as the re-regulation agenda may tend to take the wind out of the sails of domestic opposition, so proposals for a return to a more cooperative, multilateral international order may 'prematurely harmonize' the contradictions generated by global power structures.<sup>35</sup>

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<sup>33</sup> Frank Rich, 'Has a "Katrina Moment" Arrived?', *New York Times*, 22 March 2009.

<sup>34</sup> German Finance Minister Peer Steinbrück, quoted in Bertrand Benoit, 'US "will lose financial superpower status"', *Financial Times*, 25 September 2008.

<sup>35</sup> In this respect we share the sober conclusions regarding the implications of the crisis reached by Peter Gowan—who criticizes the view that 'financial regimes are the product of intellectual paradigms rather than power relations'—in his outstanding analysis, 'Crisis in the Heartland', NLR 55, Jan–Feb 2009.

The politicization of economic life at which the popular response to the current crisis has so far only hinted nevertheless invites the articulation of visions and strategies for social transformation that have not been seen for a generation. To be sure, highlighting the opportunity for real change should not lead us to exaggerate the strength of transformative forces. The neoliberal era has played havoc not only with people's livelihoods but equally with their political capacities. Working families' growing reliance on credit to sustain their private lives, as well as the stratification that developed over the past three decades inside the working class, has led to an atrophy of class solidarity and collective capacities. Instead of advocating the kind of top-down re-regulation initiatives that merely re-install financial hegemony, what is needed is to probe—intellectually and culturally, as well as politically—whether this crisis could provide an opening for the renewal of the kind of radical perspective that advances a systemic alternative to global capitalism.

## THE MISUSE OF HUMANITARIAN INTERVENTION. *Exhibit A: Kosovo*

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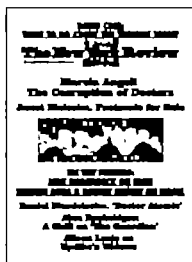


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ROBERTO SCHWARZ

## BRECHT'S RELEVANCE: HIGHS AND LOWS

*No one's to blame for crises/  
Over us, changeless and inscrutable, rule  
The laws of economics.  
And natural catastrophes recur  
In dreadful cycles.*

Bertolt Brecht, *Saint Joan of the Stockyards*

**H**OW RELEVANT IS Brecht today? Put another way: how severely has the closure of capitalist horizons affected the unique combination of political convictions, aesthetic theses and literary methods that compose the texture of his art? The foregrounding of artistic artifice was a general method of the avant-garde, of course, part of its determination to tear away the sanctifying veil of aesthetic form by attacking reverential attitudes, de-automatizing the audience's attention, dulled by habit, or highlighting the material aspect of the artist's work, to align it with other forms of production. All of these dimensions existed in the Brechtian method, yet there they also underwent a change of purpose through being directly inscribed within the turn from capitalism to communism.

The link between provocative experimentalism and the struggle for the political transformation of society conferred on Brecht's work a peculiar type of relevance, not to mention authority. For the same reasons, it would become more vulnerable than others to the denial that history inflicted on its expectations. In exploring the complex ways in which different aspects of his multi-dimensional project have resonated with specific historical and social experiences, I want to begin by playing devil's advocate—explaining the grounds for thinking that Brecht today has no relevance whatsoever.<sup>1</sup>

Although he considered himself the creator and theoretician of a new theatre, Brecht insisted on the antiquity of anti-illusionist drama. It had been practised by the Chinese and Japanese, by Elizabethans and Spaniards of the Golden Age, not to mention the medieval mystery plays and the didacticism of Jesuit priests. His representational techniques became modern in a strong sense only when they were taken up again within the horizons opened up by the revolutionary movements, around the time of the First World War. Under those circumstances, several societies—perhaps more accurately, several cities—began to develop a political theatre.<sup>3</sup> Brecht would describe its public as ‘an assembly of world transformers’: proletarian in character, critical in spirit and equipped not only with a well-formulated dissatisfaction but with subversively practical proposals.<sup>3</sup> If it is not a retrospective illusion, this audience, tailor-made for political theatre, existed during a brief period, in a few places, attached to special conditions. It was the result of the junction between the ‘free theatres’—an important experiment, affiliated with literary naturalism, in which the voluntary contribution of its members removed business considerations from the scene—and the historical advance of autonomous workers’ organizations; within its limits, the alliance would produce a ‘popular appropriation of the means of cultural production’.<sup>4</sup> By the 1930s, however, with the imposition of Soviet national interests onto the workers’ movement, the picture changed. The critical dimension of Brechtian estrangement no longer had the winds of history in its favour, especially in the socialist camp; it became an exercise in style, or in nostalgia.

His trademark, of course, was ‘narrative’ theatre. As against conventional ‘dramatic’ staging, in which the actor identifies himself with his role and

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<sup>3</sup> This essay is adapted from ‘Altos e baixos da atualidade de Brecht’, first presented as a talk following a public reading of *Saint Joan of the Stockyards* by the Companhia do Latão in São Paulo in 1998, and published in Roberto Schwarz, *Sequências brasileiras: ensaios*, São Paulo 1999. For a full translation of the original by Emilio Sauri, see the online journal *Mediations*, Dossier: Brazil, vol. 23, no. 1, 2007.

<sup>4</sup> Commenting on the conditions of existence of a real political theatre, Brecht notes with sardonic parsimony: ‘After World War One, there was theatre in four countries: the first had endured a complete social cataclysm; the second, half of a cataclysm; the third, 1/4; the last, 1/8. — The third was Czechoslovakia, and the fourth the United States, after the great crisis.’ Needless to say, the first had been Russia, and the second Germany. See Brecht, *Arbeitsjournal*, vol. 1, Frankfurt 1974, p. 315.

<sup>5</sup> Brecht, *Arbeitsjournal*, vol. 1, p. 270.

<sup>6</sup> Iná Camargo Costa, *Síntia o drama*, Petrópolis 1998, pp. 19–26; Anatol Rosenfeld, *Teatro alemão*, São Paulo 1968, pp. 120–3.

tries to live it in the flesh, here he would consider the role from a distance, as if he were narrating it from the outside, in the third person. Anti-illusionist staging would lay bare the methods of theatricalization: the audience would become aware of the constructed quality of the figures on the stage and, by extension, that of the reality they imitate and interpret. In underlining the pretence involved in theatrical action, the extent to which it is a *made* thing, Brecht wanted to demonstrate that actions of everyday life also have a representational aspect: the roles played there could be different, too, for social processes were mutable. This was in contrast to the 'Aristotelian' theatre which, through catharsis, helped men to discover an equilibrium in the face of the eternal and immutable nature of human affairs.

### *Ask yourselves!*

These themes are summarized in the 1930 Prologue of *The Exception and the Rule*, where the author-narrator addresses the students for whom the play is intended:

We are about to tell you  
 The story of a journey. An exploiter  
 And two of the exploited are the travellers.  
 Examine carefully the behaviour of these people:  
 Find it surprising though not unusual  
 Inexplicable though normal  
 Incomprehensible though it is the rule.  
 Consider even the most insignificant, seemingly simple  
 Action with distrust. Ask yourselves whether it is necessary  
 Especially if it is usual.  
 We ask you expressly to discover  
 That what happens all the time is not natural.  
 For to say that something is natural  
 In such times of bloody confusion  
 Of ordained disorder, of systematic arbitrariness  
 Of inhuman humanity, is to  
 Regard it as unchangeable.<sup>1</sup>

We are asked, in such times as these, to be distrustful, to find normal behaviour surprising, even incomprehensible; to discover that what happens as a rule is not natural, therefore unchangeable. The didactic attitude

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<sup>1</sup> Brecht, *The Exception and the Rule*, in *The Measures Taken and Other Lehrstücke*, Ralph Mannheim and John Willett eds, New York 2001.

and prosaic verse play an essential role in Brecht's literary technique: he sought out cold forms of enthusiasm and emphasis in order to respond effectively, as an artist, to the circumstances of class antagonism. The proximity to catechism is, of course, a risk.

Yet as the words themselves suggest, the form of domination that owes its strength to custom and apparent naturalness is of a pre-modern type. The struggle of doubt against obscurantism was a classic figure of bourgeois emancipation, whose adversary was feudal authority and its religious guarantee. Clearly, Brecht's anti-obscurantism no longer belongs to that period, though it does not disengage itself from it completely. It is as if something of feudal naturalness and prestige had been passed on to capital, and something of the resigned fatalism of the serf subsisted in the working class, so that the fight against the immobility of yesterday's powers remained on the agenda. As for today's capitalist system, whose foundation has not for some time been the veneration of old customs, it is obvious that the shift from naïveté to each-for-himself shrewdness will not be enough to overcome it. Let us say that in denaturalizing submission and in historicizing what had been eternity, the Brechtian theatrical gesture invoked a space of freedom in which the world figured as transformable *in the abstract*. Once the oppressed made out the strange in the familiar, the irrational in the everyday, and the anomalous in the rule, an acceptable and comprehensive reorganization of society was close at hand. This is the context in which to understand the muted pomp of the estrangement effect and its revolutionary aspiration.

In much of Europe the First World War had already swept away the superstition of order and authority that was, in principle, the target of denaturalizing criticism. The following years witnessed other equally 'unnatural' cataclysms. The list is well known: the Russian Revolution, hyperinflation, the crisis of 1929, mass unemployment, and the rise of Nazism. The summary of the contemporary world in the Prologue of *The Exception and the Rule* depicts a new scene: a time of bloody confusion, ordained disorder, systematic arbitrariness, inhuman humanity. In order for this state of things not to be considered immutable, the schoolmaster-actor asks the children to doubt the habitual, the familiar. There is, surely, a certain maladjustment between the synopsis of the period and the advice regarding it, which reflects an objective insufficiency. Counselling against the credulous acceptance of bloody confusion would seem superfluous. Can it really be true that a society on

the road to fascism would seem *natural*? Or that the obstacle that keeps the exploited in their place resides in the illusion of naturalness?

Schematically, the Brechtian transformation of theatre—conceived in the 1920s—presupposed the imminent overcoming of capitalism or, on a parallel track, its cross-dressing as fascism. Directed against this last possibility, anti-illusionist methods preached an anti-kitsch mental sobriety capable of exposing impostures. As for capitalism, the estranging stance threw into relief its obsolete irrationality, which the workers would go on to overcome. Today it hardly needs to be said that the historical experience created in the name of Communism moved worlds away from initial intentions and came off worst in its confrontation with the capitalist order. There are different explanations for the defeat; but whatever they may be, it was difficult to imagine that a better society might be gestating within the field of 'actually existing socialism'. Thus, the place on the leading edge of history that Brecht's method presumed found itself without support in the real course of things, transforming clear-sighted critical superiority into an illusion.

Capitalism's absurd and devastating character still imposes itself as a fact, but is now historically shackled to another: the revelation of the regressive dynamics of the societies that broke with the bourgeois model. This does not make that model insuperable; but it demonstrates that to stand outside it is not enough, in itself, to create another, better order. Against what the Left supposed, the passage from criticism to overcoming revealed itself to be neither automatic nor obvious. Under these circumstances, the didactic component of Brechtian estrangement was left without anything to teach, at least directly; and so changed its meaning. A staging adequate to what we have painfully learned has to take that difficult horizon into account.

### *Brecht in Brazil*

It was only after his death in 1956 that Brecht's worldwide consecration began. His work entered the cultural life of São Paulo in the second half of the 1950s, initially as part of the modernizing militancy of the professional theatre companies who were then bringing to the stage the renowned authors of the period: Tennessee Williams, Arthur Miller, Sartre and others. It was only natural that Brecht's turn would come, recommended by a growing European glory. His assimilation,

however, was more difficult. The problems ranged from the elementary—understanding what the ‘estrangement effect’ could be—to the inevitable clash with established interests. The professionalization of the São Paulo stage had also brought a bourgeois aggrandizement of theatre life. At the first nights of the Teatro Brasileiro de Comédia one breathed class distinction, not unlike the Cultura Artística concerts where internationally renowned musicians were presented in an atmosphere of civilized enjoyment and fur coats. Meanwhile, the tempo of national life was stamping the notion of progress with a different content, as the radicalization of developmentalist populism began to gain momentum—a process that would lead to a pre-revolutionary questioning of the country’s intolerable class structure, before the military *dénouement* of 1964.

Living culture veered to the left. The new theatre generation aligned itself with the rapidly politicizing student movement and sought to make contact with the organized working class, the peasant struggle and popular music. The propensities and talents called for in this new situation were those of agitprop: political intelligence, formal inventiveness, organizational agility, a disposition towards confrontation, as well as the irreverent use of consecrated culture and the capacity to deal on an equal footing with the resources of high art and popular tradition. This was the stew of militant culture in which Brecht’s artistic and ideological rigour, his systematic engagement with the revolution—more guessed at than known, partly due to language difficulties—would come to life. The usefulness of the Brechtian spirit for the Third World Left is easy to understand. The linking of language and literature to a programme of collective experimentation of all sorts—artistic, political, philosophical, scientific or organizational—along with the rejection of socialist realism, responded to real reformative impulses. The wide spectrum of Brechtian experimentation changed the quality of experimentalism itself, freeing literary modernism from mere scribbling. That said, his reception also occasioned certain incongruities, since the 1920s were not the 1960s, nor was Germany Brazil.

The bare language of class interests and contradictions that marks the *sui generis* sharpness of Brechtian literature has no equivalent within the Brazilian imaginary, informed as it is by relations of personal dependency and sallies of roguery. The understanding of life that is distilled in our popular speech has a specific critical meaning, distinct from that of Berliner proletarian slang. But the principal maladjustment was bound

up with the idea of estrangement itself. This required opening up a space between the individual and his social functions, making the class logic of the system accessible to critical consciousness. Now, the nationalist dimension of developmentalism required, on the contrary, a large dose of that mystifying identification which Brechtian estrangement undid. The compromise solution developed by Teatro de Arena during this period became famous: at centre stage, a popular nationalist hero, with whom the actor and public strongly identified; surrounding him, anti-heroes of the dominant class, to which Brechtian recourse to dis-identification and analysis, with their corresponding coolheadedness, lent a brilliance and truth which, by an irony of art, the other role, the one which should have served as a model, finally lacked.

It occurred to no one to follow Brecht's teachings to the letter, but they nevertheless functioned as a kind of challenge, coming from more demanding regions of aesthetic and political reflection. The prospects that the new type of political theatre opened to song—and vice versa—can give an idea of the type of leap that was made. In Germany, Brechtian song was a product of the most advanced theatrical experimentation: its melodies were composed by avant-garde musicians, its lyrics were the work of a great poet; their conjunction produced a high-point in the questioning of the bourgeois order. These elements were not found in Brazil, except, perhaps, the last. Yet the theatre's involvement with popular music brought about tremendous changes for both of them. The theatre joined its language—of restricted circulation—to another, of immense popularity, with a very different productive process and class origin; while song was now directed not to consumers but to the country's radical counter-elites, in the name of freedom. The peculiar representativity of singer-songwriters like Caetano Veloso and Chico Buarque, or, in another sphere, the film-maker Glauber Rocha, owed something to the radiation of that moment, when the processes of popular art, aesthetic experimentalism and political theatre came together as a historical force.

In 1964 the rightist military coup truncated the vast democratic process to which the new theatre had sought to respond. The suppression of the workers' and peasants' movement was brutal, but for a while it proved possible for students and the intelligentsia to dodge the censors. Thus the Left still managed to make its presence felt, though now in a socially confined environment, ruled by the box office. The onstage triumph of the Left, after it had been beaten in the street, took Brechtian

experimentation in unforeseen directions. For example, the use of narrative procedures, originally conceived as a means of fostering critical distance, was at times transformed by Augusto Boal and Glauber Rocha into its opposite: a vehicle for national emotions 'of epic proportions', to offset the political defeat. In 1968, the dictatorship extended the repression that it had hitherto reserved for the popular movement to the field of culture and the middle-class opposition. Critical intellectual life was robbed of any public dimension. However, to prohibit is not to refute, and in that sense Brechtian inspiration, like discussion on the Left in general, went offstage but did not lose its *raison d'être*. On the contrary, its repression was living testimony of its relevance.

### *Progressivism of the right*

The surprise would come much later, in the course of the 1980s, when democratization opened up a space in which to resume previous positions—but these no longer convinced anyone. Due to the dictatorship, the political debate had remained in the freezer while the world and the country changed. Whatever literary criticism may say to the contrary, artistic methods have presuppositions that are not themselves artistic: the beginning of the end of communism, as well as new features of capitalism, affected the credibility of Brecht's theatrical technique. We were entering the world of today. In the early 1960s, when an actor said that the injustice of class was not a natural misfortune, like rain, and that it could therefore be contested, the effect of revelation, even galvanization, was incredible. It became even stronger if, on the contrary—through blindness or collusion—the actor declared that injustice is, indeed, a natural misfortune, and therefore to fight against it is pointless. It was as if our rejection of the hypnotic force of conformism had its own, mesmerizing power: once we understood that injustice was social, the difficulty seemed to have been overcome and the transformation of the world was within reach. That ease, not to say credulity, now seemed disconcerting.

The Brazilian military coup, in defence of 'tradition, family and property', had confirmed a classic political division of labour: the Left wanted to change society while the Right clung to the past; something like this had been the horizon of the 20th-century avant-gardes. But when the long-drawn-out democratization process permitted public aesthetic and critical communication once more, it became evident that the years



of the dictatorship had not exactly been conservative. The 'economic miracle' had brought not just a leap in manufacturing and its internationalization, but a liberalization of sexual mores, a normalization of drug use, the partial—and precarious—incorporation of the poor into mass consumerism, and the desacralizing commercialization of culture. The Left's certainty that it was the party of historical progress, while its adversary would be traditionalist, lost its footing in reality.

If capital's victory in Brazil during the 1980s was less complete than in the countries of the core, it was due to the political and cultural weight of a new independent trade unionism, the base of the Partido dos Trabalhadores, among the forces fighting for democratization. For a while, the antagonism between capital and organized labour appeared to command the Brazilian stage in the classic manner—until here, too, trade unionism lost the initiative, beaten by the supremacy that globalization conferred on capital. The attacks by the latter's 'progressive' proxies on the 'conservatism' of organized working-class layers expressed a new set of forces, with its concomitant system of illusions. Innovation resided with money. The questioning of capital was no longer, it seemed, the business of workers, but of its own contradictions, now unchecked, and soon acquiring the characteristics of a natural catastrophe. By comparison, the Brechtian denaturalization of social inequality seemed quite mild.

Meanwhile, commercial culture had appropriated the most sensational aesthetic discoveries of the avant-garde, Brechtian drama included, for its own purposes. The estrangement effect, conceived as a means of stimulating criticism and liberating social choice, changed its meaning against a background of generalized consumerism—helping to promote a new cleaning product, for example. The Brechtian focus on the material infrastructure of ideology—on the didactic inclusion of the wings on centre-stage—had become a standard feature of TV newscasts, functioning as a prop for the authority of capital, rather than a critique. The cameras and cameramen filming other cameras that filmed the studio, the giant logo, the anchormen, all lent weight and immutability to the industrial-commercial apparatus which stood behind the highly partisan account of the world that we would shortly be given. The very materialism of Brechtian self-referentiality now seemed open to apologetic uses. Having once been a call to emancipation, the insistence on the social and non-natural character of the mechanisms that condition us had taken on—perhaps due in part to a matter of scale—a dissuasive function.

What more could the materialist desire, if there are commodities for all to choose from? That objection lies behind Brecht's transformation into a classic—a brilliant writer, from another era.

### *Social recalibration of forms*

In his essay on committed literature Adorno at one point observes that, in Brecht's theatre, the primacy of doctrine acts like an element of art didacticism, in this case, is a formal principle—while it smashed the bell-jar of the aesthetic sphere, the militant relationship with the spectator would also function as a law of composition. The truth of the plays would thus lie, not in the lessons passed on, the theorems on class conflict, but rather in the objective dynamic of the whole. The essay, which knows and criticizes Brecht's political-aesthetic positions, places greater emphasis on the work than on the theory; or rather, it sees the role of the latter inside the former.<sup>6</sup> It also helps to open our eyes to the formal elegance of Brechtian literature, obscured by the salience of political questions: the dissonant mixture of brutalism and intellectual perceptiveness, for example; or of a heavyweight materialism and a delicacy of procedure and reasoning that verges on abstract variation and the arabesque. In endlessly contradictory ways, these unexpected combinations suggest oblique and wavering correspondences with class relations. Thus formal immanence, disrespected on one level, in vanguardist fashion, re-establishes itself elsewhere, with a more ample compass and without conventional guarantee, through the immeasurable care taken with the composition. This care is subordinated to the political rejection of artistic insipidness—or vice versa?—in a manner that the stage production will have to shape. It is on this basis, however, that fresh grounds for Brecht's relevance may present themselves.

Take *Saint Joan of the Stockyards*, that extraordinary epic of Chicago meat kings, cattle-breeders, stockyard workers, canning-factory owners and black-straw-hatted soldiers of the Salvation Army. It is a great work; yet there are features in it which are now hard to accept. Contrary to what Brecht intended, the language of the Communist leader is not very compelling, compared to that of the other characters. It is true that he understands the essentials: he explains the mechanisms of capitalist exploitation and speculation; he knows the workers are strong only when

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<sup>6</sup> Theodor Adorno, 'Commitment', NLR I/87–88, Sept–Dec 1974; also on Brecht's position, see Adorno, *Aesthetic Theory*, Minneapolis 1997, p. 247.

they act collectively, and that the general strike is part of that logic: 'With things in this pass, we've got to realize that nothing can help us but the use of force'. His hard and objective reasons are advantageously counterposed to the grandiloquence of the factory owners. Even so, his words do not resonate at the level they seem to promise. In spite of saying *what is*, the lines are grey and bureaucratic, an exception within the drama. It is as if the truth—or certainties—of the Communist position were unable to give off the light that the artistic composition expected of them.

*Saint Joan* was written before Stalinism had taken root on the Left. The Brechtian attempt to find poetry in partisan language—anonymous, authorized—expressed a historical sentiment and a wager: the outlawed militants, with their discipline and abnegation, would be among the key figures in the fight for the new age of freedom. Today, the question of the proximity of this sentiment to Stalinist absolutism is unavoidable—for example, in the stark panegyric to the heroism, or sacrifice, of professional revolutionaries presented in the exchange between two onlookers after the crushing of the general strike:

FIRST MAN: Who are those people?

SECOND MAN: None of them

Thought only of himself.

Never resting, they ran themselves ragged

For the sake of other people's bread.

FIRST MAN: Why never resting?

SECOND MAN: The unjust man walks the streets openly,

The just man hides.

FIRST MAN: What will become of them?

SECOND MAN: Although they

Work for little pay and are useful to many

Not one of them lives out his natural life span

Eats his bread, dies with a full belly and

Is buried with honours. All

End before their time. They are

Struck down, trampled, and buried in shame.

FIRST MAN: Why do we never hear about them?

SECOND MAN: When you read in the papers that some criminals

Have been shot or

Thrown in jail, it's them.

FIRST MAN: Will it always be like this?

SECOND MAN: No.<sup>7</sup>

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<sup>7</sup> Brecht, *Saint Joan of the Stockyards*, trans. Ralph Mannheim, Bloomington, IN 1969. Some translations modified.

Informed by the century that has passed, and the Soviet-nationalist appropriation of class struggle, it is no longer possible simply to welcome these 'just men' as the messengers of a new era. These strong activist figures have acquired an ambiguous air. And what if, on the contrary, they are the temporarily reprieved victims of the state's political police? The interrogation of these hallucinatory ambiguities, and of the expressive deficit that goes with them, is perhaps the greatest challenge facing any responsible staging of the play.

In everything it says regarding the nature of capital, on the other hand, the timeliness of *Saint Joan of the Stockyards* could hardly be greater. Though it has been a matter of faith that the crash of 1929 will never repeat itself, the wailing of 'small speculators' crushed by bigger ones, or the misery of workers left unemployed by 'competition' could be taken from today's headlines. This is not the result of mere contingency. Written between 1929 and 1931, *Saint Joan* was in part the product of Brecht's intensive study of the workings of the capitalist economies in the late 1920s—Marx, but much else besides, including Tarbell's history of Standard Oil and Myers on *Great American Fortunes*. His aim was to grasp the real movements of contemporary society and transpose them to the theatre. Fredric Jameson correctly refers to a Balzacian aspect in the work of the playwright, well-versed in all sorts of trade secrets: the processes of class conflict, the subtleties of money, the mechanisms of the Stock Exchange, the ruses of fascist rhetoric, the calculations of organized mendicancy.<sup>8</sup> To bring this realism, in Lukács's sense, onto the stage involved, among other innovations, the substitution of collective axes in place of individual ones in the composition of the drama. Around these axes, the narrative arranges itself according to the cycle of capitalist crisis, with stages of prosperity, overproduction, unemployment, crash and fresh accumulation.

### *Abyss and summit*

But *Saint Joan's* singular stature depends, equally importantly, on the decisive resonance that the capitalist cycle finds in canonical cultural forms, which themselves served as the highest legitimations of the bourgeois order. The experience of the First World War and the Russian Revolution famously signified the ideological disqualification of the

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<sup>8</sup> Fredric Jameson, *Brecht and Method*, London and New York 1998, pp. 13, 154–5.

previous period. For many critics, anything that smacked of idealism, patriotic pabulum, the authority of national classics or the remnants of feudal life had acquired a grotesque or odious tonality. Yet it is possible to distinguish different aspects of the materialist response. The millions of dead soldiers and the starving populations threw into relief an alliance between economic interests—colonial expansion, the arms industry—and cultural and nationalist indoctrination, which made war possible; a class alliance. But at the same time, the catastrophe showed that everything is an illusion save for personal economic survival, thus reproducing bourgeois individualism at a new level. In each case, the ideological corpus of pre-war civilization underwent a radical demoralization, be it in the name of the suffering masses—the Left's version—or in the name of raw economic interest: capital's new realism, which a prior bourgeois culture politely hid. *Saint Joan* incorporated both meanings, but without accepting their 'reductionist' corollary—that is, the rejection of canonical culture *tout court*.

Rather than make a *tabula rasa* of the past, Brecht's tactic was to assemble a strategic anthology of the tradition's greatest texts, to which the language of *Saint Joan*'s protagonists systematically alludes. He did not abandon consecrated culture altogether. Instead, he presented the vicissitudes of class conflict and the calculations of the canned-goods cartel—new material—in verses imitative of Schiller, Hölderlin, the final scenes of Goethe's *Faust II*, expressionist poetry or Greek tragedy, the latter perceived as German, *honoris causa*. The most celebrated resources of bourgeois culture shared the stage with economic crisis. To emphasize the affront, we see the latter in the satirical and bloody setting of the meat-packing industry, where slaughter, financial reasoning and hunger naturally coexist. The novelty was not in the artistic contrast between the modern world and the classical tradition; the comical gulf between the Homeric hero and the fat-bellied capitalist was a commonplace of the 19th century. Similarly, there was nothing new in modernist writers endowing contemporary episodes with a semblance of the mythical, to provide them, even if ironically, with generality or archetypal dignity, or else to accentuate their sordidness: Gide, Proust, Mann, Kafka, Eliot, Joyce. In Brecht's work, which pertains to almost the same years, that distance between illustrious models and the tone of the present assumes its own distinctive shape. The cold yet mocking concatenation of the rawest economic interest and the loftiest philosophical and lyrical idealism of the German classical tradition, under

the sign of capitalist crisis, gives birth to a Frankenstein's monster. Even today, the fierceness of that caricature sends a chill down the spine.

Take, for example, the ingenious variations with which the canned-meat magnates formulate their distress—caused by unfulfilled contracts—in the majestic terms of 'Hyperion's Song of Destiny'. In his great lyric, Hölderlin contrasts a realm of the gods, where blessed spirits tread soft earth, peaceful as sleeping infants, while their eyes 'look out in still / Eternal clearness', to the lot of men:

But we are given  
 No place to rest;  
 Suffering humans  
 Falter and tumble  
 Blindly from one  
 Hour to the next,  
 Like water from crag  
 To crag, hurled down  
 Year after year into the Unknown.

Here there is a Promethean tone in the nobility attributed to the 'Unknown', to suffering and dissatisfaction, in contrast to the serene plenitude of the divine. In *Saint Joan*, the first allusion to 'Hyperion' comes in the form of a warning from the other Salvation Army soldiers, when Joan decides to find out 'who's to blame' for the desperate lot of the stockyard workers:

In that case, Joan, your future looks black to us.  
 Don't get involved in earthly strife.  
 It will engulf you.  
 Your purity won't last, and soon  
 Your bit of warmth will perish in  
 The all-pervading cold.  
 Goodness departs from those who leave  
 The comforting hearth fire.  
 Striving downward step by step  
 In search of an answer never to be found  
 You will vanish in the muck!  
 For muck is what gets heaped upon those who  
 Ask incautious questions.

In place of Hyperion's fall, we have the deliberate descent of Joan, who wants to find out about the misery that reigns down there, in the

'Unknown': a heroic descent and, in that sense, an ascension, though this is not the view of the black-straw-hats, who are afraid that Joan will be engulfed by 'muck' and 'earthly strife'—suggesting an affinity between the Unknown and the poorer classes—or that the muck will be used (by whom?) to shut her up. The schema reappears in the language of the meat king, Cridle, who takes the lockout as an opportunity to buy some meat-processing machines that 'save a pretty penny in wages':

New contraption. Pretty fancy.  
 The pig rides up on a conveyor belt  
 Of wire netting to the topmost floor  
 And there the butchering begins. The pig  
 Plunges almost unaided, landing on  
 The knives. Not bad, eh? See, the pig  
 Butchers itself, converts itself to sausage.  
 From floor to floor descending, first forsaken by  
 Its hide, to be fashioned into leather  
 Then parting with its bristles, used for brushes  
 And lastly casting off its bones—which give us bone meal—  
 It's forced by gravity into the can  
 That's waiting down below. Not bad, eh?

Here the process is seen from the viewpoint of the gods—the industrial capitalists—who precipitate the fall of the mortal towards the Unknown: the waiting can of meat. The victim's fate is frighteningly close to that of the locked-out stockyard workers.

Convinced of the injustice suffered by the workers, Joan goes to join them in the stockyards where the Communists are trying to organize a general strike, while the Army is using machine-guns to clear the area. Assailed by hunger, fear and a horror of violence, Joan decides that her place is not there. Taking a didactic distance from herself, she describes her position:

For three days Joan was seen  
 In Packingtown, in the swamp  
 Of the stockyards, going down  
 Lower and lower, hoping to transfigure the muck  
 And be a light to the poorest of the poor.  
 For three days striding downward  
 She weakened on the third day and in the end was  
 Swallowed by the swamp. Say:  
 'It was too cold.'

The descent has a Christian undertone and a salvational purpose, yet the pressure of misery—or the power of those above—prevails. At first glance, to be ‘swallowed by the swamp’ might mean to lose oneself among the exploited, in their anonymous mass. At second glance, bearing in mind that Joan is speaking of having to leave the workers, it might suggest a return to her former petty privileges. Meanwhile, the meat king Mauler, Cridle’s partner, has signed big contracts with the owners of the packing plants, while quietly buying up all the available livestock. To fulfill their contracts, the meat-packers are obliged to buy the carcasses from Mauler, whose agent raises the price higher and higher, finally causing the collapse of the meat-packing industry and the livestock market:

Like water hurled from crag to crag, the prices  
Fell from quotation to quotation, plumbing  
Unfathomable depths. They stopped at thirty.

Here it is the commodity price that plunges from the heights, into the Unknown of a stock-market crash. With the general strike crushed, however, the economy begins to function once again, on Mauler’s terms: with fewer employees and higher meat prices—for the system can only be preserved, he explains, ‘by taking extreme measures’. Helped by a large donation from Mauler, the Salvation Army black-straw-hats prepare the soup and fling open the Mission doors, to snare the redundant workers. In this case, the descent into the Unknown ends in unemployment, charity and religion:

Here we stand! There, they’re coming down. They are coming down!  
Misery drives them in our direction like herded animals!  
Look, they must descend!  
Look, they are descending, they’re descending!  
Here they can’t escape. For here we stand!  
Welcome! Welcome! Welcome! Welcome down to where we are!

What lies behind these sarcasms of composition? We find ourselves on the terrain of the political cartoons of the Weimar period, or Grosz’s paintings—capitalists with thick necks, pig snouts, impeccable frock coats and bullet-proof cynicism, crossing those mutilated by war, malnourished proletarians and starving dogs; all crowned by clichés of official humanism, in an atmosphere of everyone-for-himself. Within the unfolding theatrical plot, however, these same stereotypes enter a dynamic of another order. Even as the black-straw-hats and stockyard owners are



singing their hosannas—'Greatness to the great'—loudspeakers begin to announce terrible news:

POUND CRASHES! BANK OF ENGLAND CLOSES FOR FIRST TIME IN 300 YEARS! EIGHT MILLION UNEMPLOYED IN USA! FIVE YEAR PLAN A SUCCESS! BRAZIL POURS A YEAR'S COFFEE HARVEST INTO THE OCEAN! SIX MILLION UNEMPLOYED IN GERMANY! THREE THOUSAND BANKS COLLAPSE IN USA! EXCHANGES AND BANKS CLOSED DOWN BY GOVERNMENT IN GERMANY! BATTLE BETWEEN POLICE AND UNEMPLOYED OUTSIDE FORD FACTORY IN DETROIT!

At the news, those not engaged in declamations start screaming abuse at one another:

'You slaughtered too much livestock, you rotten butchers!' 'You should have raised more stock, you lousy stockbreeders!' 'You crazy money-grubbers, you should have employed more labour and handed out more pay-cheques! Who else will eat our meat?' 'It's the middle-man that makes meat expensive!' 'It's the grain racket that raises livestock prices!'—'The guilt is yours, and yours alone!' 'You should have been in jail years ago!'

Brecht's aim was not to moralize—which he thought useless—but to sharpen critical intelligence. The coupling of lyrical-philosophical pastiche to the brutalities of economic competition offers a technique of great scope. It avoids segregating proletarian experience, even while it gives expression to the divergence—to be overcome—between cultural excellence and the standpoint of the working class. Against any sentimentalization of working-class culture, Brecht considered that only by transcending its insularity could the perspective of the exploited attain its full scope and get the better of its antagonist. On the same grounds, he rejected the notion that portrayals of the workers should be confined to their immediate environment and to a naturalist register. He sought, on the contrary, to place that life within the entirety of contemporary culture. In *Saint Joan*, the realities of work and unemployment, hunger and cold, organized struggle and military massacre are presented in direct and decisive reciprocity with the strategies of capital, with aesthetic conventions and economic theories, with the propertied classes' sense of themselves, with the lessons of morality and of religion, with the new means of production—causing an extraordinary amplification of the present, which these antagonistic mirrorings stamp with an unparalleled literary and polemical quality.

The modern situation of labour is projected and examined by re-evaluating, on the play's own terms, the lyricism of the Romantics, the sobriety of Greek tragic discourse, the Christian commitment to poverty. The social recalibration of these aesthetic forms produces fundamentally new meanings, as when the Romantics' cult of simplicity, in the manner of the *Lied*, is brought into relation with the plight of the homeless, caught in the middle of a snowstorm. The verses, written on a drop-curtain, serve as a mute finale to the episode in which the machine-guns triumph over the strikers:

The snow's blowing this way  
So who would want to stay?  
The same as stayed before  
The stony soil and the very poor.

These allusions to the most celebrated forms of German literature create a sort of lyrical topology: the sublime aspirations, the tragic downfalls, the Romantic idolization of summits and gorges, the divine ether composed of light, purity, immateriality and transcendence. In order for the parody to do its damage, these quasi-religious schemas need only be brought into focus alongside the capitalist exploitation of labour to become the structural—and completely plausible—correlative of the contempt for that which lies below, in the dark, in disorder, hungry and hard-working. Having drawn the parallel between the mountainous landscape of lyrical ascension and the social topography of capitalism, equally vertiginous, there is no way to stop the process of reciprocal contamination. The mountaineering of the poetic soul can be translated into the vernacular of free enterprise, with its inexhaustible greed, super-profits; bankruptcies and fraud; heights and depths can reverse their meanings.

### *Capital unclothed*

How historically specific is this satire? The initial scandal of materialist criticism was its affirmation that capital, which is a class relation, was the secret of bourgeois society and the key to its laws, state, morality and culture. Far from promoting the human universality that they proclaimed, these spheres were systemically meshed with economic exploitation—but an exploitation whose days would be numbered, once the exploited recognized it as a mere fact of class, without divine or natural guarantee. The virtuosity with which Brecht makes us laugh at capital,

presented in the very act of clothing itself as something else, more universal and less objectionable, belongs to the same epoch.

Today, the picture has changed. Economic determinism has switched sides and functions as an explicit ideology of the dominant classes, a justification for social inequality. 'The rules of the global economy are like the laws of gravity', Clinton famously announced. Naked profit-seeking, once a matter of shame, has become a public banner. If 'ideal' reasons had previously concealed material interests, understood to be particularist and so indefensible on generalist grounds, economic arguments—no less particularist—now serve to legitimate or undermine the rest. Governments will allocate funds for the arts on the basis of their benefits to tourism, or design educational reforms with an eye to gains in productivity. Proof of seriousness is now shown by subordination to the profit-motive, whose anti-social tenor was once denounced as a dirty secret of class. The reversal imposed itself in jolts, but the process was arguably completed in the 1990s, when the necessities of capital became to all intents and purposes the equivalent of reason. What becomes of the relevance of *Saint Joan*, under these circumstances? Does demystification, fixated on the hidden place of the economy in the order of things, become an empty gesture?

For an avant-garde writer of the Left to resort to the clichés of idealism as if they were a living force of the present would already have been strange when *Saint Joan* was written. Why restore to life that which the Great War had buried? The Brechtian resurrection was naturally unique, emphasizing to the utmost the damage that the tradition had suffered, to the point of transforming it into a deformed and ridiculous figure—nonetheless endowed with reality. In the last scene of the play, poor Joan is canonized against her will and promoted as the patron saint of capital in its new phase, bathed in roseate light and accompanied by Goethean verses. The impudent and cynical proto-Hollywood kitsch provided a critical version of the falsifications with which Nazism was beginning to construct its grandiose idea of the national past and of itself. From another perspective, there was a commitment to making class conflict and canonical literature commensurable, so as to undo the conservative unctuousness that accompanied the latter and, therefore, return it to life.

In its own way, that cheek in dealing with bourgeois civilization's most prestigious ideas outlined the threshold of a new era. The, obsolete protocol of the idealist tradition is complementary, in this case, to the superlative cunning of the men of capital, who on the subject of demystification—if the term suggests the precedence of money over all else—represent the vanguard of the process. That said, the historical threshold of *Saint Joan* is another, more contemporary one. Since it nurtures and deepens the crisis, the capitalists' extraordinary cleverness changes meaning, in turn becoming obsolete and pernicious. What is on the stage, under the sign of crisis, is the transformation of the cunning of capital into reflexes that are counter-productive, almost antediluvian. The conjuncture between gambling on the stock exchange and mass panic in face of the ups and downs of the economy suggests a loss of judgement on a species-wide scale.

In Brecht's structure, that negative progression—idealism overcome by cunning, which is revealed as blindness—is complemented by a positive movement: becoming unsustainable, the crisis foment the proletarian revolution, capable of transcending the impasse. Today there seems more to be gained from the play's configuration of that impasse, and of its deepening, than from its positing of the revolutionary exit, limited to the determination to win, or perhaps even die, so that other workers will win later on. Let us say that there is a lack of specific substance in the 'overcoming' perspective—a lack which, however, neither undoes nor attenuates the irrationalities to which it responds; irrationalities which, in the absence of a tangible alternative, take the shape (to borrow an expression from Benjamin) of permanent catastrophe: a metaphor for the historical present. At least until further notice, it is this that we retain from Brecht's great play.

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*in Italiano*



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CHIN-TAO WU

## BIENNIALS WITHOUT BORDERS?

**M**Y INTEREST IN the subject of biennials and their participants' national affiliations dates back to the Taipei Biennial of 2004, the fourth such event in our city, and my reaction to a curatorial provocation there. I had been kept waiting for more than three hours for what turned out to be a crisp 30-minute interview with one of the two curators of the show, the Brussels-based Barbara Vanderlinden. I kicked off by asking her to explain the curatorial policy regarding the number—five—of native Taiwanese artists chosen to appear. To this she replied by curtly throwing a question of her own back at me: 'Do you know how many Taiwanese artists were represented in the Shanghai Biennial?' Meaning, of course, that five local representatives seemed to her quite adequate, thank you very much, and people would certainly be wrong to expect more.<sup>1</sup> Her reply took my breath away. I had no come-back at the time—not only because I did not know the answer, but also because I felt I was speaking to a foreign expert who knew her own business better than I did. In those days I enjoyed neither the funds nor the working conditions to enable me to travel long distances to biennials, as global art-world insiders apparently can. More recently, however, I have been able to fly to biennials as remote as Havana and São Paulo, as well as to most of the Asian and European events, and I find that the question of artistic representation at such international gatherings is still, after all this time, haunting me.

It may seem odd, even retrograde, to think of contemporary art practice in terms of artists' nationality and place of birth, at a time when there is so much talk of globalization, hybridization, transnationalization, world markets and so on. Nevertheless, the question of national affiliation is

critical to what the biennial (or triennial, or quinquennial) has come to stand for since the 1980s. An increasingly popular institutional structure for the staging of large-scale exhibitions—some observers refer to ‘the biennialization of the contemporary art world’—the biennial is generally understood as an international festival of contemporary art occurring once every two years.<sup>2</sup> Here the operative words are, of course, ‘international’ and ‘festival’. On the first of these depends the second: without the national diversity of its participants, there could be no real celebration or festivity. ‘International’ in this scheme of things means that artists, almost by definition, come from all four corners of the world; even events with a specific geographical focus, such as the Fukuoka Asian Art Triennale, cast their net far beyond their immediate backyard; they rightly see this as imperative not only for their legitimacy but also for their success.

### *Artscapes*

The fact that artists from remote areas now appear centre-stage in Western events such as the Kassel Documenta or the Venice Biennale is often taken as further proof that the distinction between centre and periphery has collapsed. In his studies of global cultural flows, for example, Arjun Appadurai uses the terms ‘artscape’ and ‘ethnoscape’ to characterize the space through which uninterrupted flows of people—including artists, curators, critics—and high art criss-cross the globe, as city after city vies to establish its own biennial in order to claim membership of the international art scene.<sup>3</sup> Like other globalization theorists, Appadurai emphasizes the growing planetary interdependence and intensification

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<sup>2</sup> Interview with Barbara Vanderlinden, co-curator of the 2004 Taipei Biennial, 26 October 2004, Taipei. It turned out that the number of Taiwanese artists at the 2004 Shanghai Biennial was four. I should like to acknowledge the kind help of Jui-Chung Allen Li (Institute of European and American Studies, Academia Sinica) on the statistical work for this paper.

<sup>3</sup> I use biennial as a convenient generic term that can also embrace less frequent exhibitions, including the quinquennial Kassel Documenta. Carlos Jiménez credits Gerhard Haupt for formulating the concept of ‘biennialization’ in ‘The Berlin Biennale: A Model for Anti-Biennialization’, *Art Nexus*, no. 53, July–Sept 2004.

<sup>4</sup> In 1996, Appadurai identified five dimensions of global cultural flow: *ethnoscapes* (flows of tourists, immigrants, refugees, guest workers, etc.); *mediascapes* (flows of information and images); *technoscapes*; *financescapes*; and *ideoscapes* (flows of cultural and political ideologies). Later, he added ‘artscapes’ to this list. Appadurai, *Modernity at Large: Cultural Dimensions of Globalization*, Minneapolis 1996, pp. 33–7.



of social relations. Nowhere, however, are we told in what directions such 'flows' flow, nor what new configurations of power relations these seemingly de-territorializing movements imply.<sup>4</sup>

Hence this attempt to understand the power implications of biennials by looking more closely, and empirically, at the artists themselves—a luxury in which most theorists have too little time to indulge. I am, of course, well aware of the risks that a nation-based approach may involve, including the possibility of inviting criticism from the pro-globalization lobby in particular. I do not wish to assert that the international art scene has not undergone significant changes over the last two decades. But what ultimately is the nature of these changes, and for what reasons have they taken place? Is the much-discussed collapse of the centre and dissolution of the periphery as irrefutable as some people would have us believe? Has the global art world really become so porous, open to all artists irrespective of their origins—even if they come from what Paris or New York would consider the most marginal places?

To attempt to answer these questions on the basis of national statistics may be unexpected. But the actual numbers of artists, and the range of countries they come from, prove to be centrally embedded in the psychology of biennial organizers and feature prominently in their marketing strategies. The 2006 Singapore Biennial boasted of '95 artists from over 38 countries', while at the Liverpool Biennial in 1999, ubiquitous banners proclaimed: '350 artists, 24 countries, 60 sites, 1 city'. In what follows, I will take a closer look at the quantitative data underpinning such 'flat-world' claims, by establishing not only where the artists come from, but also, in the case of those who move or emigrate, which places they choose to emigrate to—in other words, the *direction* of the cultural flows they personify. My purpose in examining these data was, firstly, to map out the shifts that have taken place in the focus of large-scale international exhibitions, which have gone from a marked Eurocentrism to encompass the world beyond the NATO-pact countries; and secondly, to ask whether these events have become another powerful Western filter, governing the access of artists from under-resourced parts of the world to the global mainstream.

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<sup>4</sup> A similar comment was made by Larissa Buchholz and Ulf Wuggenig, 'Cultural Globalization between Myth and Reality: the Case of the Contemporary Visual Arts', *Art-s-fact*, no. 4, December 2005.

In order to provide a long-term view of these developments, I will focus here on the Kassel Documenta exhibitions, nine in all, between 1968 and 2007; examining firstly, where the artists were born; secondly, where they are currently living; and thirdly, the relation between the two.<sup>5</sup> I use typical regional categories—North America, Latin America, Asia, Africa and Oceania. Europe, however, I have divided in two. For despite EU enlargement, there are still two Europes in contemporary art practice: one comprises Germany, Italy, Britain, France, Switzerland, Austria, and to a lesser degree Holland, Belgium and Spain, which supply the majority of European art figures—‘Europe A’. The remaining countries, whose artists appear only sporadically at international events, form what I call ‘Europe B’.

What conclusions, then, can we tentatively draw from this mass of statistics, which seems to belong more to sociology than to art history? The first and most obvious is that until recently, the vast majority of artists exhibited at Documenta were born in North America and Europe—well over 90 per cent in fact, reaching a record 96 per cent in 1972 (see Figure 1). Although the 1989 ‘*Magiciens de la terre*’ exhibition at the Pompidou Centre is generally considered the first truly international exhibition and a trend-setter for the next decade, North Americans and Europeans were still predominant at the 1992 and 1997 Documentas. The real change came with Okwui Enwezor’s Documenta 11 in 2002, when the proportion of Western artists fell to a more respectable 60 per cent. It remained fixed at this lower level in 2007.

The figures on where artists are currently living, meanwhile (see Figure 2), show that a substantial number of artists have moved or emigrated from the countries where they were born. In some cases, of course, artists will divide their time, and their lives, between two or more places—their birthplace, and where their artistic careers take them (or where they have a better opportunity of succeeding). Up to and including the 1982 Documenta, nearly 100 per cent of participating artists lived in North America and Europe. This proportion begins to fall from 1987; for the 1992 and 1997 Documentas it was around 90 per cent, dropping to 76 per cent in 2002 and 61 per cent in 2007.

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<sup>5</sup> The total number of artists in this survey is 1,734. The data are primarily compiled from Documenta catalogues. There are five artists/groups whose place of birth it has not been possible to trace. The places of residence of 168 artists are unknown, while 108 artists were deceased by the time their work was exhibited.

FIGURE 1: *Where Documenta artists were born*

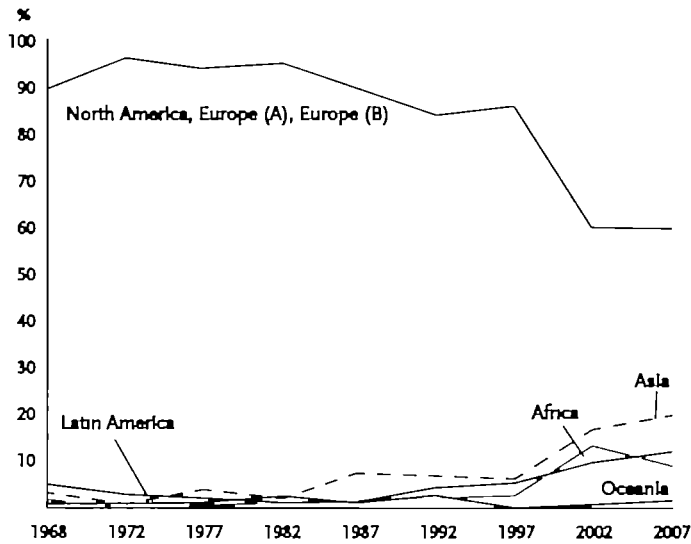
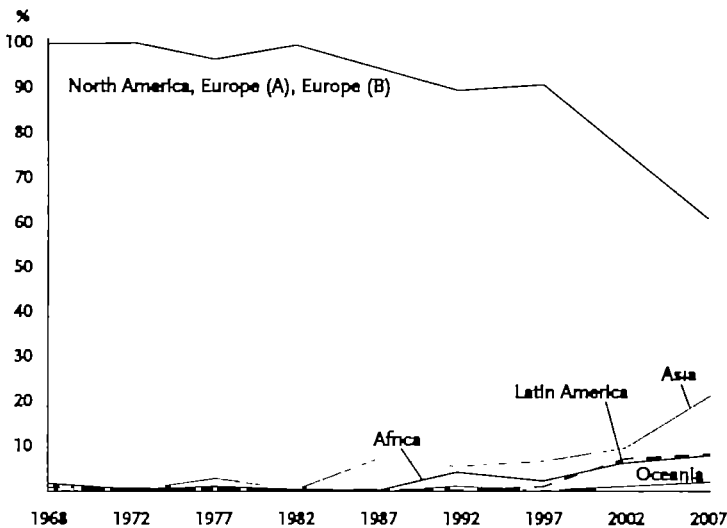
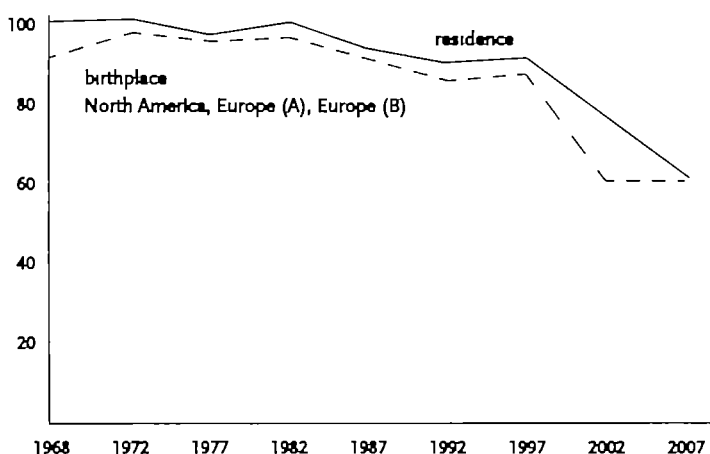


FIGURE 2: *Where Documenta artists are currently living*



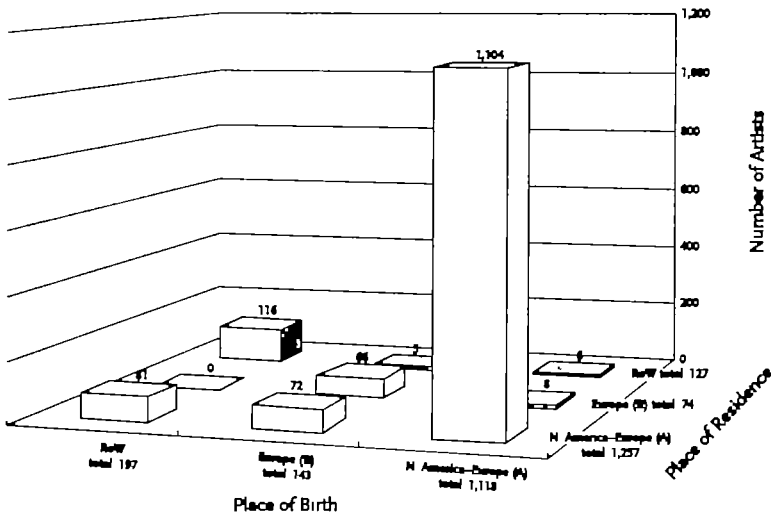
Source: Documenta catalogues, 1968–2007

FIGURE 3: *Comparison between artists' birthplace and current residence*

Source: Documenta catalogues, 1968–2007

But it is the difference between these two sets of figures—where artists were born and where they are currently living (see Figure 3)—that interests me most, because it shows what directions artistic ‘flows’ have taken. Of course, artists do not move solely because of their work: there may well be personal circumstances involved; but there is no denying that an artist from, say, Taiwan or Indonesia stands a better chance of succeeding in the international art world if she lives in New York or London. Before 1992, nearly all the artists originally from Latin America, Asia or Africa had already moved to either North America or Europe before they exhibited in Documenta. During the 1990s, these ‘flows’ represented around 4 or 5 per cent of the total artists showing. By 2002, they had risen to nearly 16 per cent.

As Figure 4 demonstrates, the upshot of these movements is unmistakable. For artists born in North America and Europe A, nearly 93 per cent of movements are within that region—between London and New York, for example, where the conditions for artistic production and reception may be considered more or less equal. Secondly, for artists born in Europe B, nearly 89 per cent of movements are towards North America and Europe

FIGURE 4: *Migration of Documenta artists, 1968–2007*

Source: Documenta catalogues, 1968–2007

A, presumably in search of better support systems and infrastructures. Thirdly, for artists born in Latin America, Asia or Africa, the overwhelming majority of movements—over 92 per cent—are to North America and Europe A. They constitute a generalized one-way emigration from what I would call the periphery to the centre, or centres; that is, in the direction of the USA, UK, France and Germany. As we can see, 72 artists from Europe B and 81 artists from the rest of the world have moved to North America and Europe A, making this region the most popular place of residence for the majority of the artists who have figured in the last nine Documentas. Rarely if ever does an artist from London or New York move to, say, Thailand or Trinidad.

### *Flowing uphill*

There is a Chinese saying: water flows downhill, people climb uphill. If, as some critics would have us believe, centres and peripheries are a thing of the past, how are we to account for this almost exclusively one-way flow of artists? Figures like this lead us to question claims that the 2002 Documenta 11 represented 'the full emergence of the margin

at the centre',<sup>6</sup> or 'the most radically conceived event in the history of postcolonial art practice', offering 'an unprecedented presence of artists from outside Europe and North America'.<sup>7</sup> Whatever questions may be raised by the hybrid make-up of the emigrant artists in question, there is something highly incongruous in talking about an exhibition like Documenta 11, in which nearly 78 per cent of the artists featured were living in North America or Europe, as illustrating 'the full emergence of the margin'.

Although it is forever shifting, the global art world nevertheless maintains a basic structure: concentric and hierarchical, we can imagine it as a three-dimensional spiral, not unlike the interior of the Guggenheim in New York. Concentric because there are centres, or semi-centres, and peripheries as well. To reach the centres you need to imagine an uphill journey, starting from the peripheries and passing through the semi-peripheries and semi-centres before you reach the top—though in some cases it may be possible to jump straight from a periphery to one of the centres. Hierarchical because, like all power relations, the spiral has a central core, with clusters of satellites orbiting it. Even those who champion the globalization of the contemporary art world, and imagine the biennial to be one of its most successful manifestations, recognize a political dimension to such exhibitions. Okwui Enwezor, for instance, has advocated a 'G7 for biennials . . . so as not to further dilute the "cachet" of this incredibly ambiguous global brand'.<sup>8</sup> Global the biennial perhaps is, but global for whom and for what reasons? Whose interests are served by the 'biennialization' of the contemporary art world?

The rise of the biennial over the last twenty years has, of course, made it easier for a few artists from less well-resourced countries to gain visibility in the art world. If, however, this is indeed part of 'globalization', it is very different from other manifestations of that process. The agents of economic globalization, for example, whether individuals or multinationals, have to invest substantial amounts of time and money in order to establish themselves in their new location. The people who

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<sup>6</sup> Okwui Enwezor, 'The Black Box', in *Documenta 11. Platform 5: Exhibition: Catalogue*, Ostfildern-Ruit 2002, p. 47.

<sup>7</sup> Stewart Martin, 'A New World Art: Documenting Documenta 11', *Radical Philosophy*, no. 122, November–December 2003, p. 7.

<sup>8</sup> Enwezor, 'Mega-Exhibitions and the Antinomies of a Transnational Global Form', *MJ—Manifesta Journal*, no. 2, Winter 2003–Spring 2004, p. 19.

curate most of the biennials these days, on the other hand, are constantly on the move. Jetting in and out of likely locations, they have no time to assimilate, still less to understand, the artistic production in any one place. From the viewpoint of those living and working in distant outposts, mega-curators and global artists may seem well connected; but they remain, by the very nature of the enterprise, more or less culturally rootless. At the same time, this deracination gives them a position of advantage, if not of privilege; for them, biennials do indeed have no frontiers. But for the majority outside the magic circle, real barriers still remain. The biennial, the most popular institutional mechanism of the last two decades for the organization of large-scale international art exhibitions, has, despite its decolonizing and democratic claims, proved still to embody the traditional power structures of the contemporary Western art world; the only difference being that 'Western' has quietly been replaced by a new buzzword, 'global'.

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IMMANUEL WALLERSTEIN

## READING FANON

### IN THE 21ST CENTURY

**I** BELONG IRREDUCIBLY TO my time', wrote Frantz Fanon in his first book, *Black Skin, White Masks*. That time was, of course, the era of anti-colonial struggles. Born in the then French colony of Martinique in 1925, where he was a student of Aimé Césaire, Fanon fought with the Allied forces in the Second World War and then trained in Lyon as a physician and psychiatrist. His remarkable *Black Skin, White Masks* was published in 1952 and had a significant impact in intellectual circles in France at the time. It was a passionate *cri de cœur*—'the experience of a black man thrown into a white world'.<sup>1</sup> In 1953 Fanon was appointed to the Blida Psychiatric Hospital in Algeria, just a year before the outbreak of the War of Independence. He rapidly became outraged by the stories of torture that his Algerian patients recounted to him. Already a sympathizer with their cause, he resigned his post and went to Tunisia to work full time for the Gouvernement Provisoire de la République Algérienne (GPRA). He wrote extensively for *El Moudjahid*, the official journal of the revolution.

In 1960, the GPRA sent him as its ambassador to Ghana, at that time the de facto centre of the movement for African unity. The GPRA wanted him to reinforce links not only with Ghana, but with the various nationalist movements in Africa still struggling for their independence, and whose leaders regularly passed through Accra. It was there that I first met Fanon in 1960 and where we had long discussions about the world political situation. He was both very encouraged by the global sweep of the national liberation movements, and disturbed by the signs he saw already in the limitations of the leadership of many of these movements—discomforts he would discuss at length in his last book. Soon thereafter,

he fell ill of leukemia. He went first to the Soviet Union and then to the United States for treatments, which were fruitless. I was able to visit him in hospital in Washington, where we discussed the nascent Black Power movement in the United States with which he was fascinated. He exploded with anger about US policies in the world. He said 'Americans are not engaged in dialogue; they still speak monologues'. In the last year of his life, he devoted himself principally and furiously to writing the book published posthumously as *The Wretched of the Earth*.<sup>1</sup> Fanon lived to read the famous preface by Jean-Paul Sartre, which he thought superb. The title of the book, *Les damnés de la terre*, was, of course, drawn from the opening lines of the Internationale, the song of the world workers' movement. He died, much too young, in 1961.

It was this work, not *Black Skin, White Masks*, which brought Fanon his world reputation, including of course in the United States. The book became something like a bible for all those involved in the many and diverse movements that culminated in the world revolution of 1968. After the initial flames of 68 died out, *Wretched of the Earth* receded into a quieter corner. In the late 1980s, the various identity and post-colonial movements discovered his first book, upon which they lavished attention, much of it missing Fanon's point. As he wrote in the Introduction to *Black Skin, White Masks*, Fanon thought that to overcome the alienation of the black man would require more than what Freudian psychoanalysis had to offer. Freud had argued the need to move beyond a phylogenetic to an ontogenetic explanation; for Fanon, what was required was a sociogenic explanation. Although *Black Skin, White Masks* would have a second life as a central text in the postmodern canon, thirty years after it was published, the book was in no way a call to identity politics. Quite the contrary, as Fanon's lines in the concluding pages make clear:

The disaster of the man of colour lies in the fact that he was enslaved.

The disaster and inhumanity of the white man lie in the fact that somewhere he has killed man.

And even today they subsist, to organize this dehumanization rationally. But I as a man of colour, to the extent that it becomes possible for me to exist absolutely, do not have the right to lock myself into a world of retroactive reparations.

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<sup>1</sup> The words of Francis Jeanson, who wrote the Preface to the original French edition, *Peau noire, masques blancs*.

<sup>2</sup> New York 1963, henceforth WE. Translations amended by the author.

I, the man of colour, want only this:

That the tool never ~~possesses~~ the man. That the enslavement of man by man cease forever, that is, of one by another. That it may become possible for me to discover and to love man, wherever he may be.

The Negro is not. Any more than the white man.<sup>3</sup>

Whatever Fanon was, he was not a postmodernist. He might rather be characterized as one part Marxist Freudian, one part Freudian Marxist, and most part totally committed to revolutionary liberation movements. If he belonged to his time, however, his work still has much to offer ours. The very last sentence of *Black Skin, White Masks* is this: 'My final prayer: O my body, make of me always a man who questions!' It is in this spirit of interrogation that I offer my reflections on the utility of Fanon's thought for the twenty-first century.

I am struck, on rereading his books, firstly by the degree to which they make very strong declarations of which Fanon seems entirely confident, especially when he is being critical of others; and secondly, by the way these declarations are usually followed, sometimes many pages later, by Fanon spelling out his uncertainties about how best to proceed, how to achieve what needs to be accomplished. I am also struck, as was Sartre, by the degree to which these books are not at all addressed to the powerful of the world but rather to the 'wretched of the earth', a category that overlaps heavily for him with 'people of colour'. Fanon is always angry at the powerful, who are both cruel and condescending. But he is even angrier at those people of colour whose behaviour and attitudes contribute to sustaining the world of inequality and humiliation, and who often do so merely to obtain crumbs for themselves. In what follows, I will organize my reflections around what I think are three dilemmas for Fanon—the use of violence, the assertion of identity and the class struggle.

What gave *The Wretched of the Earth* so much punch and attracted so much attention—both of admiration and of condemnation—was the opening sentence of the first chapter, 'Concerning Violence':

National liberation, national renaissance, the restoration of nationhood to the people, commonwealth: whatever may be the headings used or the new formulas introduced, decolonization is always a violent phenomenon.<sup>4</sup>

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<sup>3</sup> Fanon, *Black Skin, White Masks*, London [1967] 1970, pp. 164–5.

<sup>4</sup> *WE*, p. 35.

Is this an analytical observation or a policy recommendation? The answer may be that it is meant to be both. Perhaps Fanon himself is not sure which of the two meanings takes priority; and perhaps it does not matter. The idea that fundamental social change never occurs without the use of force was not a new one. All the radical emancipatory traditions of the nineteenth century had believed that the privileged never cede real power voluntarily; power is always wrenched from them. This belief helped define the presumed difference between a 'revolutionary' and a 'reformist' path to social change. Yet in the post-1945 period, the utility of the distinction between 'revolution' and 'reform' was wearing thin—wearing thin among the very militants of the most impatient, angry, uncompromising movements. And therefore, the use of violence, not as sociological analysis but as policy recommendation, was coming into question.

If 'revolutionary' movements, once in power, seemed to accomplish much less than they had promised, it was equally true that 'reformist' movements did not do much better. Hence the ambivalence about the policy on violence. Algerian nationalists had lived through this cycle in their own biographical experience. Ferhat Abbas, president of the GPRA from its foundation in 1958 to 1961, had spent the first thirty years of his political life as a reformist, only to admit that he and his movement had got nowhere. He concluded that violent uprising was the only meaningful tactic if Algeria did not wish to be forever a colony, and 'enslaved'.

In *Wretched of the Earth*, Fanon seems to be making three points about the use of force as a political tactic. First of all, in the 'Manichean' colonial world, its original source is located in the continuing violent acts of the colonizer:

He of whom *they* have never stopped saying that the only language he understands is that of force decides to give utterance by force. In fact, as always, the settler has shown him the way he should take if he is to become free. The argument the colonized person chooses has been furnished by the settler, and by an ironic turning of the tables, it is the colonized person who now affirms that the colonialist understands nothing but force.<sup>3</sup>

The second point is that this violence transforms both the social psychology and the political culture of those who were colonized.

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<sup>3</sup>WE, p. 84.

But it so happens that for the colonized people this violence, because it constitutes their only work, invests their characters with positive and creative qualities. The practice of violence binds them together as a whole, since each individual forms a link in the great chain, a part of the great organism of violence which has surged upwards in reaction to the settler's violence in the beginning. The groups recognize each other and the future nation is already indivisible. The armed struggle mobilizes the people; that is to say, it throws them in one way and one direction.<sup>6</sup>

The third point, however, seems to contradict the optimistic tone of the second, the seemingly irreversible path towards national and human liberation evoked in the opening chapter. The second and third chapters of the book, written during the ongoing war for national liberation in Algeria, are particularly fascinating for the light they throw on 'Concerning Violence'. The second chapter, 'Spontaneity: Its Strengths and Weaknesses', is a generalized critique of nationalist movements. Their 'inherent defect', Fanon says, is their focus on 'those elements which are the most politically conscious: the working classes in the towns, the skilled workers and the civil servants'—that is to say, a tiny portion of the population, which hardly represents more than 1 per cent:

The overwhelming majority of nationalist parties show a deep distrust towards the people of the rural areas . . . The Westernized elements experience feelings with regard to the bulk of the peasantry which are reminiscent of those found among the town workers of industrialized countries.<sup>7</sup>

This inherent defect is precisely what makes them fail to be revolutionary movements, which cannot be based on a Westernized proletariat but must rely rather on the uprooted peasantry, blocked on the outer fringe of the urban centres:

It is within this mass of humanity, this people of the shanty towns, at the core of the lumpenproletariat that the rebellion will find its urban spear-head. For the lumpenproletariat, that horde of starving men, uprooted from their tribe and from their clan, constitutes one of the most spontaneous and the most radically revolutionary forces of a colonized people.<sup>8</sup>

<sup>6</sup> WE, p. 93.

<sup>7</sup> WE, pp. 108–11.

<sup>8</sup> Fanon was here obviously influenced by the Battle of Algiers and its role in the Algerian revolution. WE, p. 129.

Fanon passes from this paean to the detribalized lumpenproletariat to an analysis of the nature of nationalist movements once in power. He is ferocious and unforgiving, and denounces them in one of the most famous sentences in this book: 'The single party is the modern form of the dictatorship of the bourgeoisie, unmasked, unpainted, unscrupulous and cynical.' The national bourgeoisie of underdeveloped countries 'should not be opposed because it threatens to slow down the total, harmonious development of the nation', he declares. 'It should simply be stoutly opposed because, literally, it is good for nothing.' He then proceeds to a denunciation of nationalism, pure and simple:

Nationalism is not a political doctrine, nor a programme. If you really wish your country to avoid regression, or at best halts and uncertainties, a rapid step must be taken from national consciousness to political and social consciousness . . . A bourgeoisie that provides nationalism alone as food for the masses fails in its mission and gets caught up in a whole series of mishaps.<sup>9</sup>

It is at this point that Fanon turns to the question of identity, my second theme. He initiates the discussion by saying that, of course, vaunting ancient civilizations does not feed anyone today. But it serves the legitimate purpose of taking a distance from Western culture. The racialization of culture was the responsibility initially of the colonizers, 'those Europeans who have never ceased to set up white culture to fill the gap left by the absence of other cultures'. The concept of Negritude, Fanon argues, 'was the emotional if not the logical antithesis of that insult which the white man flung at humanity.' But, he goes on, 'this historical obligation which has brought the men of African culture to racialize their claims . . . will tend to lead them up a blind alley.' Fanon is very critical of any attempt to assert cultural identity that is independent of, not located within, the political struggle for national liberation. In the fourth chapter, 'On National Culture', he writes:

To believe that it is possible to create a black culture is to forget that Negroes are disappearing . . . There will never be such a thing as black culture because there is not a single politician who feels he has a vocation to bring black republics into existence. The problem is to get to know the place that these men mean to give their people, the kind of social relations that they decide to set up and the conception they have of the future of humanity. It is this that counts; everything else is mystification, signifying nothing.<sup>10</sup>

<sup>9</sup> Respectively, WE, pp. 165, 175-6, 203-4.

<sup>10</sup> WE, pp. 212-4, 234-5.

His closing thrust is quite the opposite of identity politics:

If man is known by his acts, then we will say that the most urgent thing today for the intellectual is to build his nation. If this building is true, that is, if it interprets the manifest will of the people and reveals the eager African peoples, then the building of a nation is of necessity accompanied by the discovery and encouragement of universalizing values. Far from keeping aloof from other nations, therefore, it is national liberation which leads the nation to play its part on the stage of history. It is at the heart of national consciousness that international consciousness lives and grows. And this twofold emerging is ultimately only the source of all culture.<sup>21</sup>

In the Conclusion to *Wretched of the Earth*, however, as though he had gone too far in understating the merits of a different path for Africa—a non-European path—Fanon points to the example of the United States, which had made as its goal that of catching up with Europe, and succeeded so well that it ‘became a monster, in which the taints, the sickness and the inhumanity of Europe have grown to appalling dimensions’. For Fanon, then, Africa must not try to ‘catch up’ and become a third Europe. Quite the contrary:

Humanity is waiting for something other from us than such an imitation, which would be almost an obscene caricature. If we want to turn Africa into a new Europe and America into a new Europe, then let us leave the destiny of our countries to Europeans. They will know how to do it better than the most gifted from among us. But if we want humanity to advance a step further, if we want to bring it up to a different level than that which Europe has shown it, then we must invent and we must make discoveries . . . For Europe, for ourselves and for humanity, comrades, we must turn over a new leaf, we must work out new concepts, and try to set afoot a new man.<sup>22</sup>

In Fanon’s weaving, in both books, around the question of cultural identity, of national identity, we see the fundamental dilemma that has plagued all anti-systemic thought in the last half-century and probably in the next as well. The rejection of European universalism is fundamental to the rejection of pan-European dominance and its rhetoric of power in the structure of the modern world-system—what Anibal Quijano has termed the coloniality of power. But, at the same time, all those who have been committed to the struggle for an egalitarian world, or to what might be called the historic socialist aspiration, are very wary of what Fanon

<sup>21</sup> WE, pp. 247–8.

<sup>22</sup> WE, pp. 315–6.

called the 'pitfalls of national consciousness'. So we continue to weave, for to do so seems the only way to remain on a path to a future in which, in Fanon's words, humanity 'advances a step further'.

My third theme, the class struggle, is never centrally discussed as such anywhere in Fanon's writings. And yet it is central to his world-view and to his analyses. For, of course, Fanon was brought up in a Marxist culture—in Martinique, in France, in Algeria. The language he knew and that of all those he worked with was impregnated with Marxist premises and vocabulary. But at the same time, Fanon and those he worked with had rebelled, forcefully, against the ossified Marxism of the Communist movements of his era. Aimé Césaire's *Discourse on Colonialism* remains the classic expression of why intellectuals of the colonial world (and of course not they alone) withdrew their commitment to Communist parties and asserted a revised version of the class struggle. The key issue in these debates was the question, which are the classes that are struggling? For a long time, the discussion was dominated by the categories of the German Social Democratic Party and the Communist Party of the Soviet Union. The basic argument was that, in a modern capitalist world, the two classes that were in fundamental conflict and dominated the scene were the urban, industrial bourgeoisie and the urban, industrial proletariat. All other groupings were remnants of dead or dying structures and were destined to disappear, as everyone came to blend into, define themselves as, bourgeois and proletarian.

By the time Fanon was writing, relatively few people regarded this as an adequate or reliable summary of the real situation. The urban industrial proletariat was nowhere near a majority of the world's population and in general, did not seem to be a group that had nothing to lose but its chains. As a result, most movements and intellectuals were in search of a different framing of the class struggle that fitted better as sociological analysis and served more effectively as the basis of radical politics. There were many proposals of new candidates for the historical subject who would be the 'spearhead' of revolutionary activity. Fanon thought he had located them in the detribalized, urbanized, lumpenproletariat. But he admitted his doubts when he depicted the 'pitfalls of spontaneity'.

In the end, what we have from Fanon is more than passion and more than a blueprint for political action. He offers a brilliant delineation of our collective dilemmas. Without violence the wretched of the earth can



accomplish nothing. But violence, however therapeutic and however effective, solves nothing. Without breaking from the domination of pan-European culture, it is impossible to move forward. But the consequent assertion of particularity is stultifying and leads inevitably to 'pitfalls'. The class struggle is central, provided we know which are the classes that are really struggling. But lumpen-classes, on their own, without organizational structure, burn out.

We find ourselves, as Fanon expected, in the long transition from our existing capitalist world-system to something else. It is a struggle whose outcome is totally uncertain. Fanon might not have said so, but his books are evidence that he sensed it. Whether we can emerge collectively from this struggle and into a better world-system is in large part dependent on our ability to confront the three dilemmas discussed by Fanon—to confront them, and to deal with them in a way that is simultaneously analytically intelligent, morally committed to the 'disalienation' for which Fanon fought, and politically adequate to the realities we face.

## THE DANIEL SINGER PRIZE

THE DANIEL SINGER MILLENNIUM PRIZE FOUNDATION invites submissions to the 2009 Daniel Singer Prize competition. The \$2,500 annual prize is a tribute to the outstanding writer, lecturer and thinker, who died in December 2000.

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## REVIEWS

Serge Audier, *La Pensée anti-68: Essai sur les origines d'une restauration intellectuelle*

La Découverte: Paris 2008, €21.50, paperback

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ALEXANDER ZEVIN

### REVOLUTION TO GO: REORDERING 68

The fortieth anniversary of May 68 in France was the occasion for much public-minded commemoration, from the open-air exhibition on the Place de la Sorbonne of Marc Riboud's enormous photographs of scenes from barricades, to special editions of *Télérama* and *Le Magazine Littéraire*, to several hundred titles on the revolt packing the shelves of bookshops across the country. Among these was Serge Audier's *La Pensée anti-68*, released by the publishing house which was once that of François Maspero. In 1985, the establishment philosophers Luc Ferry and Alain Renaut had produced a polemical essay, *La Pensée 68*, denouncing the spell of so many sinister *maîtres à penser*, each an enemy of humanism, on the rebels of that year—from Deleuze and Lacan, whose desiring machines and psycho-linguistic structures left the human subject helpless and alone, to Foucault and Derrida, epigones of the calamitous Nietzsche and Heidegger. *La Pensée anti-68* could seem billed as a riposte. In fact, although it contains a section repeating well-known demonstrations that such influence is a myth, the book is nothing of the kind. It is conceived rather as an *exercice* in a much more contemporary cause.

The book opens with Sarkozy's speech attacking the baleful legacy of 1968 in his victorious electoral campaign for the presidency in the spring of 2007. Routed at the polls, the Socialist Party has since been the scene of much internal bickering and jockeying for position. Three main pretenders are locked in a fierce battle for its leadership—failed presidential candidate

Ségolène Royal, current general secretary Martine Aubry and Parisian mayor Bertrand Delanoë. But in casting about for new slogans, they have been at one. The great task is to explain to the French that liberalism and socialism are not antipodes but twins—that is, political liberalism and democratic socialism. Ostensibly, in this discourse economic liberalism has nothing to do with political liberalism. It is noticeable, however, that statements to this effect in Delanoë's *De l'audace!* or Aubry's *Et si on se retrouvait* . . . are generally accompanied by a robust defence of the market as the guarantor of social harmony and material progress. Royal and the sociologist Alain Touraine, in their colloquy *Si la gauche veut des idées*, are still more explicit, pointing with pride to the tough reforms essential for economic growth—privatization, deregulation, pension 'reforms'—enacted by the PS under Mitterrand. The Socialist elite's current interest in liberalism as a political doctrine, remarks Sylvain Pattieu in *Contretemps*, 'functions as something other than a simple clarification in the history of ideas'. It answers to a pressing conjunctural need.

This is the context in which Audier's book finds a welcome niche. An ambitious *normalien* now in his late thirties, Audier belongs to a levy of French academics for whom idealized references to thinkers in the United States are as important as homages to the best minds of the Third Republic. Now at the Sorbonne, his profile has risen as his stock-in-trade—resurrecting and assimilating radical worthies like Léon Bourgeois and Célestin Bouglé to the cause of social liberalism—becomes useful to the institutional centre left in its search for new ways to stay the same. Tocqueville, Aron and, most recently, Walter Lippmann are other objects of admiring excavation. At a time when the PS is trying to refurbish itself with a new image of caring liberalism—one that has not turned its back on the humanist aspirations of 68, which brought us anti-racism, feminism, participation and so many other commendable causes—Audier's prior specialty matched the moment perfectly. With *La Pensée anti-68* he has seized the market opportunity before him.

At the outset, Audier says he will distinguish three main scenes of intellectual engagement with 1968, all of them hostile: the present vulgate, reactions to 68 at the time, and transformations in philosophy and the social sciences which, presumably (this is never spelt out), acted as a bridge between then and now. But this classification proves to have little or no bearing on what follows, the successive parts of the book neither referring to, nor reflecting it. Logically, Audier's three types should correspond to products of the years 1968–70 (say); some indeterminate period thereafter; and 2000–08. But the book lacks any chronological order whatever, shifting carelessly back and forth across the years—from 2007 to 1998 to 1968 to 1982 to 1978 to 2003, etc.—scarcely even registering just when a given book or opusculé was produced. The result is an arbitrary jumble of comments on

and criticisms of different kinds of writing, from different periods, united only by Audier's own pet likes and dislikes. The effect is of a shooting gallery churning with targets: chaos everywhere, but the game itself is at all times carefully rigged.

One of its most apparently bizarre features is that Audier never really alludes to what happened, or failed to, in 1968. Yet this is consistent with his underlying aim, which is not to rescue the May revolt but rather a certain idea of liberalism which various reactions to it have regrettably muddled. The real organizing trio of *La Pensée anti-68* is not the typology announced at the beginning, which is soon forgotten, but the targets of Audier's political animus. The first purpose of the book is to liquidate any recall of a revolutionary past, by scarcely talking about the uprising itself (here it at least avoids the usual pitfall of works on 68—instead of concentrating on the student revolt at the expense of the general strike, it barely acknowledges either) and dismissing the 'ultra-left' faithful to it. In this case the objects of his dislike are Kristin Ross, for her scandalously radical *May 68 and its Afterlives*, Guy Hocquenghem, for pillorying the celebrity renegades of May, and Serge Halimi of *Le Monde diplomatique* for supporting him. Audier's second aim is to safeguard true—social—liberalism from both unduly conservative and unduly individualist distortions of it in France. Among others, Pierre Manent, Alain Finkielkraut and Luc Ferry represent the former danger; the sociologist Gilles Lipovetsky the latter. Lastly, and no less crucially, *La Pensée anti-68* seeks to fend off republican critiques of liberalism, guilty of an anti-democratic failure to respect the values of human rights and the moral progress of Western societies since the sixties. Régis Debray, Marcel Gauchet and Blandine Kriegel fall into this group.

Counterposed to this gallery of distorters and slanderers, where is the truest defender of 1968 to be found? Why, of course: in the eminent thinker to whom Audier has not only devoted a reverent little breviary (*Raymond Aron: La démocratie conflictuelle*, 2004), but whose eponymous prize Audier has been awarded for elucidating his thoughts on another great mind (*Tocqueville retrouvé*, 2001). Still, with this move some kind of record in acrobatics has been broken. For a book about *la pensée anti-68* to make the good name of Raymond Aron central to its argument is either daring beyond belief or in equal measure dishonest. From his chair in sociology at the École Pratique des Hautes Études, and as a columnist at the *Figaro*, an alarmed Aron published, and was heard, by a wide audience. Between May and June he denounced the occupation of universities as a 'conspiracy of cowardice and terrorism', and compared student demonstrators—when not dismissing them as *filis à papa* railing against a consumer society from which they richly benefited—to the sorcerer's apprentices who had paved the way for Hitler in Germany. On May 30 he marched proudly down the Champs-Élysées with

the massed ranks of the French bourgeoisie in support of the established order, to show the world that 'De Gaulle was not alone'. If there was any intellectual whose daily impact really merited the title of the *penseur anti-68*, it was Aron.

*La Révolution introuvable*, which Aron rushed out in August after the popular uprising of May–June had been defeated, dotted the i's and crossed the t's of his counter-revolutionary intervention, justly compared by his biographer Nicolas Baverez to Tocqueville's role in 1848. Audier cannot abide such plain speaking, complaining bitterly that Baverez could write that 'Aron's crime consisted in daring to pulverize the foundational myths of the generation of May 1968, which dressed up a carnival as the Tennis Court Oath, just as he had opened the eyes thirteen years earlier of those progressives seduced by the *Opium of the Intellectuals*'. On the 'extreme left' Kristin Ross is taken to task for dwelling unduly on what—at first glance—might seem shocking (Audier is careful not to allow any hint of a quotation) in Aron's claims about 1968, casting his solidarity with De Gaulle in an unnecessarily lurid light. After all, Aron marched with his close friend Kostas Papaioannou, 'a specialist in Marxism, who was also a friend of the situationist René Vénét'! Defences as footling as this set the tone.

The real reason why Aron is such an indispensable guide to 1968 lies in his wise recommendation of reforms to ensure that nothing like it could occur again. Thus, once the movement was over and he had recovered from his fright, Aron hastened to approve a greater say for employees in the organization of their work, and more flexible courses, exams and relations between professor and pupils in the universities. In Audier's version, Aron becomes a veritable ally of the oppressed. A pragmatic one, of course. Far from wishing to unleash a ruthless capitalism, he showed himself a champion of the '*democratic participation* of citizens and workers', seeking to 'recuperate' the 'implicit' demands of the general strike—once it was broken—by funnelling them into a more supple form of liberalism. Audier affects a wide-eyed naivety alien to Aron in suggesting that the latter's inventory of acceptable reforms was anything other than a thoroughly principled opposition to 1968 itself, *as it was*. It is enough to establish that Aron is no Hayek, and that only the doctrinaires could ever have confused them. Once Aron's appraisal of the May revolt is positioned, at the head of the book, as the sole 'realistic' and 'balanced' one, Audier can set off on a tour of the ways in which it has since been buried under a morass of perverse misinterpretations of 68.

Along the route, two guide-lines are always in view. The first is the premise that liberalism, properly conceived, is an exclusively political doctrine—one by no means foreign to the French, but under-executed. Insisting that it is necessary to rebut the still widespread myth that liberalism had weak

intellectual roots within the hexagon, Audier cites Chirac in 1984: 'the major problem with liberalism in France is that it has never been put into practice. It is up to us to prove that liberalism can work in France'. The fact that this speech was given at a conference of leading economists appears to have escaped his notice. A second, even odder feature of the journey is that, as it proceeds, Audier takes up the term *libéral-libertaire* as if it represented a positive political tradition in France, only awaiting historical elaboration. In fact it was a pejorative coinage of the Marxist philosopher and sociologist Michel Clouscard in 1972, given more general currency in Régis Debray's scornful description of the pro-market, pro-American drift of those *soixante-huitards* who had reconciled themselves to the established order while wishing to preserve the aura of their one-time dissidence. Audier, however, severs *libéral-libertaire* from its history with such illiterate blitheness that he manages to find its true representative in Jean-Paul Sartre.

Audier achieves this by a two-fold operation. After the war, he treats various strands of socialism and of *gauchisme*, of syndicalism, libertarianism and even anarchism, as well as philosophers deemed sufficiently humanist, as so many building blocks in the modern liberal tradition. Sartre is inserted in this hodge-podge on the basis of a casual phrase in his *Portrait of the Anti-Semite*, and an invocation elsewhere of Kant's kingdom of ends. In fact, each of these traditions was distinct, and many of them were at odds with electoral routines, negative liberties or market incentives as basic ordering principles of a new society. Sartre's writing in this period sketched a socialism that would realize individual freedom incompatible with either of the two camps soon arrayed against each other in the Cold War. The aim he shared with so many others was not to create a Europe positioned somewhere *between* 'actually existing socialism' in Russia and triumphant capitalism in America, but to found a new order by thoroughly repudiating *both*. This moral universe could only be brought into being by a political revolution.

Twenty years later, Sartre had concluded that 'Marxism was the unsurpassable horizon of our time', and produced his second great philosophical work on that premise. In its famous analyses of serialized alienation in modern capitalist societies and the overcoming of it in any revolution by groups-in-fusion, *Critique de la raison dialectique* (1960) was a clear anticipation of some of the central thematics of 1968. When the revolt exploded, setting aside his work on Flaubert, Sartre plunged head-first into the events: with the students at the Sorbonne, on the radio exhorting them not to abandon the struggle, afterwards on the street selling copies of *La Cause du Peuple*, and later working to get *Libération* off the ground. Audier naturally bowdlerizes all this, leaving out anything revolutionary about Sartre. The fact that Sartre specifically and repeatedly applauded the violence of the students, or that his sympathies in the aftermath of 68 lay with the Maoists

of the *Gauche Prolétarienne*, cannot be mentioned. How could a 'libertarian liberal' have been guilty of that? In Audier's album of right-thinkers, even as dauntless a revolutionary as Daniel Guérin—fiery historian of the *bras nus* in the First Republic, and synthesizer of Marxism and anarchism, who explained that at a young age 'Stalinism and social democracy both repelled us'—is transformed into a decent enough fellow *à tendance libérale*.

If the antithetical responses of Aron and Sartre to the May revolt could be lodged under the heading of 'reactions to events at the time', (though Audier forgets to do so), subsequent attitudes to 1968 are dished together in a sloppy *tohu-bohu* lacking all sense of order or history. Missing is any contextual ballast, without which successive shifts in political discourse in France between 1960 and 1990 remain incomprehensible. Completely absent, above all, is the Cold War, of which Audier himself is a late, limp product. Thus he devotes considerable space to the virulent, knee-jerk condemnations of the students by the chiefs of the PCF, as spoiled sons of the bourgeoisie, false revolutionaries serving the interests of capital, closet Gaullists or uncomprehending and soon-spent anarchists. This is a well-known story, to which Audier adds only the absurdity of treating the outbursts of Jacques Duclos or George Marchais as if they represented a secret and shameful episode that today's 'extreme left' would sooner forget. Kristin Ross prefers to denounce the betrayals of former 68-ers, he complains, than to speak of the role of the PCF at the time. What she in fact brings to the fore is the near-majestic hostility of *L'Humanité* to the students, and the party's inability either to anticipate, control or halt the vast wave of strikes by workers, until Pompidou offered it the bait of the Grenelle agreements. Contempt for the machinations and incapacities of the PCF and the CGT were at the heart of the student uprising, and resistance to them from the working class could be heard in the whistles that greeted Georges Séguy in Billancourt on May 27 when he announced the paltry gains negotiated (with the help, among others, of Jacques Chirac) at the Ministry of Labour.

What Audier suppresses, however, is the twist that followed over the next years. By the mid-seventies, the political landscape was dominated by the rise of the Union of the Left. The prospect of this bringing the Communists to power in a coalition government with the Socialists stoked intense fears in the French bourgeoisie, no longer protected by the prestige of De Gaulle, unleashing a violent ideological campaign against the looming totalitarian danger. In the forefront of this mobilization was the troop of renegade Maoists who had retained from 1968 only their hatred of the PCF—André Glucksmann, Jean-Paul Dollé and company—and now threw themselves into the battle to defend the established order as the *nouveaux philosophes*, naturally in the name of their valiant role in the days of May. Audier conspicuously avoids any discussion of them, or indeed of the wider layer of



prominent *soixante-huitards* who were by then making stellar careers in the media or business. Serge Halimi is criticized for ridiculing these sell-outs, on the grounds that to pay such attention to them is to 'forget the millions of individuals who belonged to the movement and who did not all finish as newspaper editors or executives'—sententious piety whose function is simply to cover his own unwillingness to confront the turncoats of 68 as opinion-makers.

The reason for his reluctance is clear. Audier has himself internalized the axioms of the anti-totalitarian front to a point where he can refer to 'the critique of communism' as if it were the time of day. What his book essentially offers is a more buttoned-up, sub-professorial variant of the outlook of *BHL et cie*. Ideologically speaking, the distinction lies only in a slightly different pedigree. Aron, though not absent from the arsenal of the *nouveaux philosophes*, looms larger for Audier, who is a generation younger, while not Maoism but *Socialisme ou Barbarie* provides reference-points 'within the movement'. Thus his other two mentors are Cornelius Castoriadis, by the eighties a Cold War windbag best known for his hysterical *Devant la Guerre*, warning Europe against impending surrender to the warrior 'stratocracy' of the Soviet Union, and Claude Lefort, by the nineties rallying to a centre-right government's bid to cut back welfare provisions. No hint of any of this from Audier, who presumably takes it as much for granted as the 'visceral anti-communism' on which he congratulates Cohn-Bendit. Across the ocean, his reference-points are much the same. To whom does he relate? The circle of Cold Warriors around *Dissent* magazine, supporters of the Vietnam War (Harrington), champions of Israeli expansionism (Walzer), buffs for the War on Terror (Paul Berman).

In simply assuming the defeat of the Union of the Left in 1978 and the neo-liberal turn of the Mitterrand regime in the 80s as so natural that they require no mention, Audier cannot explain what came after 1968. Nowhere is the decontextualization that makes *La Pensée anti-68* so ruinously bad as intellectual history more obvious than in its treatment of Audier's *bête noire* and principal target, Régis Debray. Audier effectively indicts him for the same crime, albeit under different names, denouncing him early as a dogmatic Marxist and late as a Gaullist Republican. But it is Debray's historical understanding of 1968, set down in his famous essay on it a decade later, which runs, for Audier, like a venomous *fil conducteur* through his entire oeuvre. Debray's recent fusillades against a precious consensus around human rights and democracy make sense only in the light of this original act of destructive interpretation, whose themes—that the May revolt represented the eruption of a self-indulgent individualism and hedonistic rejection of any collective discipline which fired the starting-pistol for the subsequent rush towards consumer capitalism in France—crop up in

any number of other conservative tirades against 68, with which Debray's account of it can be classified.

The crudity with which Audier lumps *Modeste contribution aux discours et cérémonies officielles du dixième anniversaire* together with so many other animadversions against May is not just chronological and aesthetic—as if assorted vulgarizations of ideas derived from it belonged to the same period, rather than being so much posterior detritus without a glimmer of its sardonic brilliance. It is above all political. For, written in 1978, at the height of the success of the *nouveaux philosophes* and their like, Debray's essay was a scathing attack on the kind of edulcorated *pensée pro-68* which they represented—and Audier now reproduces—from the left. Time spent in the Bolivian guerrilla and military imprisonment had given Debray a tougher vision of what was involved in a revolution than most of his contemporaries, and a clearer sight of what constituted an accommodation with capitalism. 'Just as the bourgeois Republic celebrated its birth with the seizure of the Bastille', he ironized, 'so will she one day celebrate her rebirth with the seizure of the word [*la prise de la parole*] in 68'. The supervening individualism, moralism, consumerism, political apathy and renewed enthusiasm for *la main invisible* under Giscard were, claimed Debray, cultural changes announced more than contested in the verbal flood of 1968. On this reading, the May events were both a crisis easily integrated into a vampiric capitalist turbine, and order itself, since the gains it actually made—after the event: wage increases for workers, expansion of universities—marked it as 'the most reasonable of social movements . . . the sad victory of productivist reason over romantic delusions'.

Audier inveighs against Debray's description of the way students, workers and countless others who thought they were fighting capitalism in the late 1960s were unknowingly advancing it as an illustration of the ruse of reason. The only hitch is that Audier does not actually object to viewing the revolt through this Hegelian prism: not *really*, not when it is Aron who is cynically waiting to pick the flowers growing on the grave of the left—its necessary, noble death, unexpectedly useful in beautifying the liberal democratic order. Nor has Audier any quarrel with the idea that 68 was 'the most reasonable of social movements'. *La Pensée anti-68* exists to deliver just this message. Its neat sprinkling of thinkers along the axis of liberalism—from Tocqueville and Aron to Sartre and Mendès-France—suggests that 1968 was precisely this further emanation of it: one more link in the long chain extending the hold of political reason in France. At bottom, Audier has no real disagreement with the diagnosis of *Modeste contribution*. What he cannot bear is that Debray calls a victory so conceived a piteous one.

This is not to underwrite Debray's interpretation of the revolt itself. No interpretation that attributes to it certain effects *a posteriori*, without at the

same time seeking its historical causes and exploring its internal dynamics, is likely to be satisfactory. Many documents produced during May and June point to alternative outcomes. As early as May 22, a pamphlet issued by the *Conseil pour le maintien des occupations* entitled *Pour le pouvoir des conseils ouvriers* soberly sketched several scenarios.

The Gaullists could attempt to strike a deal with the PC-CGT (albeit indirectly), for the demobilization of the workers in exchange for basic economic concessions; radical currents would then be neutralized. Power could pass to 'the Left', which would pursue the same policies, more affably. The regime could also attempt repression by force. Finally, the workers could gain the upper hand by speaking for themselves, by realizing that their claims are of a piece with the radical forms of collective struggle they have already begun to put into practice.

The betrayal and suppression of the movement happened swiftly—but not suddenly, not unexpectedly. The model of immediate rupture as ultimate reconciliation proposed by Debray cannot in the end explain the cultural effects it attributes to the May revolt, since these occurred in more or less all Western countries undergoing capitalist modernization, whether or not they experienced a similar uprising. In *May 68 and its Afterlives*, Ross remarks that a transition to Fordism and American-style habits of consumption had already been underway for some time in the Fifth Republic. 'The events of May 68 constitute an interruption,' she writes, 'not an acceleration, in the narrative of that process.'

Strictly interpreted, the watchwords of the revolt bear this out. It is enough to remember the Situationist onslaught on the fetishes of consumerism and of the spectacle to see its truth. But it is also undeniable that the uprising expressed a huge explosion against the constrictions of moral and cultural tradition in France, and the disciplinary rigidities of every kind of institution, from schools to factories. In that sense it did indeed contain a powerful charge of individual emancipation and disinhibition. But this was always in dialectical tension with collective mobilization and equally powerful aspirations to common forms of life in a less serialized, atomized social system. The decline into the complacent laxism and consumerism that came to mark the later seventies and eighties—the trajectory of *Libération* is emblematic—was a product of the defeat of the movement, not a preordained destiny. Capital then took from its complexity the strands it could use, erased the rest, and wove from what remained the wretched fabric of egotism and conformism that Debray scanned with such justifiable contempt. But this was not a foregone conclusion. The uprising panicked the possessing classes, and came close enough to toppling the regime for De Gaulle to disappear to Germany in the belief that he needed paratroop loyalty to put it down.

If its electoral impasse is often portrayed as a pivotal shortcoming of May, its refusal of a simple political resolution was also and at the same time the greatest danger it constituted to the established order. Audier's complete occlusion of this paradox is a way of reclaiming the democratic demands of 1968 on the cheap—without scaring anyone. His book ends on a singularly feeble note, even by its own standards. Isn't it high time, he asks, to move beyond 'either the posture which consists in exalting the rebellion of May or in condemning it—each one of these two dogmatisms nourishing the excesses and blind spots of the other'? So much for his long requisitory against the 'intellectual reaction' that has condemned 68 for the past forty years. What of its legacy? All Audier can offer is Castoriadis's injunction that we look to the 'sediments' it left behind, as if to the derisory rubble of a thousand paving stones, or Lefort's advice that we seek its traces in a permanent struggle for new rights, as pursued no doubt by Touraine's 'new social movements'—certainly not mass strikes of the kind that so regrettably marred Juppé's enlightened rule in 1995. Such clichés remind us that to the question—what happened in 1968?—there has always been the dismissive rejoinder: nothing at all. In Aron's words, it was 'the event that turned out to have been a non-event'. Audier's sedimentations and enumerations (feminism, ecology, prison reform, gay rights, etc.), incompatible yet invariably hostile interpretations of 1968, end by conveying the message that everything is potentially attributable to that year or, as Ross puts it, that in 1968 a little bit of everything happened—a bit of everything and therefore mainly nothing. The lesson of *La Pensée anti-68* is that to salvage what was good about the movement—entirely reasonable demands for democratic participation and a measure of self-management—it needs first to be neutered. For 1968 to live in memory it must atrophy in fact. Then it can become an object of commemoration as consensual as it is banal.

In reality, the difficulty in establishing May as an event hinges on its status not so much as a failed or successful revolution, but on whether it was revolutionary, *tout court*. The scholarly as well as popular undecidability of that question is no doubt linked to the conceptual difficulty of remembering something defined by its rupture with representation *as such*, in a present in which commemoration inevitably takes spectacular and visual forms. Despite all the ways that May was exceptional it is worth, in this respect, recalling its inscription within a history of revolutionary movements in France—not only in its self-conscious homage to the Commune, but in its methods, which were still essentially those of 1789 or 1848 or 1871: posters and journals and underground presses, libraries and bookstores, assemblies and secret meetings, processions, occupations and street battles. One way of stating this simply is that in Paris, in May and June 1968, little that was routine continued to function. With nine to ten million people out on strike across

France, there was sporadically no television, no trains, no trash collection—a transistor radio, books and papers, meetings on the street, these were the ways of finding out what was happening. The movement marked no relatively tidy transition from grapheme to videosphere; it was, at least in part, a revolt against all the official means of apprehending the world.

The betrayal of 68 by so many careerist *soixante-huitards* proves little. If 1871 remains unspoiled for us, it is not because it lacked its share of traitors. Bernard Kouchner or Serge July had many a forebear. The journalist Henri Rochefort began life as a republican under the Empire, arrived in Paris to solidarize with the Commune, was deported for his trouble with Louise Michel to New Caledonia, and returned to France a Boulangist and an anti-Dreyfusard. An example picked from a bottomless hat! That no one had to listen to Rochefort discuss the end of history all day long on television goes at least some way towards explaining why 1968 can be presented at once as a non-event and as the last gasp of two centuries of upheaval that brought us to our non-revolutionary present. For the historian convinced that not even the dead are safe from posterity—what to do when the dead keep on living? In the midst of this collective forgetting, orchestrated as a collective obsession with 1968, a famous epigram by Marx, penned while writing the history of a revolution and its reversal in a *coup d'état*, takes on new meaning. That men make their own history, but do not make it just as they please, can be taken as an admonition directed as much at Marx's fellow historians—among them Hugo and Proudhon—as at any adventuring prince or revolutionary. 1968 is that unexpected stroke, lying in wait for those willing to take its claim to history seriously, and not just as they please.

# REVIEW

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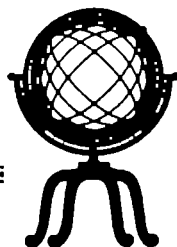
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John Adamson, *The Noble Revolt: The Overthrow of Charles I*  
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TOM HAZELDINE

## CLASS AND CABAL

The English Civil War is a problematical object in the country's history, its republican settlement undone by the installation of Charles II, and yet to be recovered. Scholarly opinion about the conflict has of course shifted markedly, in line with broader trends. In 1965, Lawrence Stone could introduce a course reader comprising the likes of Tawney, Hill and Trevor-Roper with the observation that even 'historians and politicians of a strongly anti-Marxist cast of mind' had come to accept 'that there must be a direct relationship between social structure and political institutions', the former tending to dictate the latter. Perhaps he overstated; certainly the consensus did not stick. From the late seventies to the early nineties, a liberal or right-inclined revisionism dismantled the old social interpretation, substituting for long-term factors the ricocheting outcomes of religious and nationalist strife. More than a decade later, what remains is a fragmented and chaotic corpus. The latest compilation, edited by John Adamson of Peterhouse, Cambridge—*The English Civil War: Conflict and Contexts* (2009)—includes a medley of themes: royalist factionalism, the New Model Army, print culture and the emergent public sphere. Had space permitted, Adamson sighs, he might have included a piece on the 'economic and social dimensions' of the conflict. To do so is no longer *de rigueur*.

Adamson, once a collaborator of the late revisionist doyen Conrad Russell, has embarked on the production of the most comprehensive political narrative of the Civil War since Gardiner's *History* over a century ago. *The Noble Revolt* is the first of an intended series. It runs from Charles I's peremptory dissolution of the Short Parliament in May 1640, through his fraught dealings with its longer-lived successor, to his flight from London in January

1642, nine months before the first battle at Edgehill. What is most striking is the emphasis it gives to Lords over Commons-men in the parliamentary cause. Adamson wishes to counter Whiggish and Marxist renderings of the aristocracy as—in his words—‘a decaying and largely powerless element of the *ancien régime* that was about to be swept away by the rising tide of bourgeois radicalism’. The gentry, on the other hand, he allows to expire from neglect. The overall result is to imbue the Civil War with the spirit—if not the form—of baronial rebellions of old. Lauded in the conservative press, Adamson seems the rising hope of stern, unbending Tories. He has a good eye for court ceremonial; a glass equivalent for matters economic or social. Yet the implications of his account are not entirely retrogressive.

The book's title refers to a noble-led conspiracy which Adamson contends could easily have precipitated a premature conflict of lesser scope. He describes how a small band of rebellious MPs exploited uprisings in Scotland and then in Ireland to force the King into surrendering his prerogative powers. The guiding spirits in the dominant bicameral grouping—the ‘Junto’—were not John Pym or John Hampden, but their aristocratic patrons: Robert Rich, 2nd Earl of Warwick, a puritanical landowner with interests in anti-Spanish privateering, colonization and plantation development in the Caribbean and Americas, well-connected through business partners in the City with London radicals; and Francis Russell, 4th Earl of Bedford, a court insider and massively wealthy developer, responsible for land reclamation projects in several counties and the remodelling of Covent Garden. The former was the more extreme of the two, apparently pushing for *de facto* republicanism in the shape of aristocratic oligarchy, leveraging into office his extended family—his brother Holland, cousin Essex, son-in-law Mandeville. Adamson aptly characterizes the Junto as ‘one of the most inbred cousinly cartels in post-Conquest history’.

Each chapter of *The Noble Revolt*, covering a period of two or three months, is filled with Junto conspiracy and self-destructive royalist counter-plot. Adamson opens in the thick of events, with the early-morning Privy Council meeting in May 1640 where Charles announced his intention to be rid of Parliament after its failure to grant funds for a renewal of hostilities against the Scots. This took place on the same day that the King ordered the search and arrest—but not imprisonment—of several Westminster dissidents for alleged collusion with the enemy. His suspicions, meeting no proof, were not without foundation. Adamson traces the correspondence in which Warwick and Bedford illicitly invited their Covenanter friends north of the border to mount an incursion. They were going to force the King to deal. It seems that the Scottish rebel army, together with potentially mutinous royal regiments, gave Warwick, Bedford and the other signatories to the Petition of the Twelve Peers an early military option. Adamson notes that ‘for the



first time since the rebellion against Richard III in 1485, there were rival parties, each with large-scale military resources on which to call, on foot on English soil'. Had Charles not given ground, it may well have come to blows. Here *The Noble Revolt* finds a way to skirt Conrad Russell's argument that the redoubtable stability of English society, slow to break, for a long time precluded a resort to arms—without having to divert attention to any sort of ferment in the counties. Adamson stresses that:

Such a conflict did not actually require that rival forces, ideologically opposed, be armed and arrayed in every county of England. At its most minimal, all that a civil war needed were two rival parties of fellow Englishmen, each with recourse to a substantial force of armed men, and each with the willingness to resort to violence in order to achieve their political ends. In these very specific terms, England does appear to have been poised for, or perilously close to, a civil war in the late summer of 1640.

The Long Parliament opened in November that year, and it features from the third chapter of *The Noble Revolt* to its conclusion. Adamson follows its proceedings primarily for evidence of Junto manoeuvre, recording how they exploited poorly attended and somnolent sessions to push through contentious measures. They quickly took control of treaty negotiations with the Scots, cut off revenue supplies to the King, and impeached the Earl of Strafford—the 'great incendiary' and principal exponent of prerogative rule in his capacity as Lord Lieutenant of Ireland. Adamson gives a clear account of the negotiations that followed. He infers that the King and Junto had reached a deal: the dissidents would mothball proposals for 'root-and-branch' reform of the English Church. In return, Charles would give his assent to legislation for triennial meetings of Parliament—a barrier to perpetual Personal Rule. The Root-and-Branch Debate of 7–8 February, in which Gardiner and Russell discerned a 'party line-up' of future royalists and parliamentarians, is here a more subtle affair: voting to send evangelical petitions to a committee for consideration did not necessarily indicate support for the abolition of bishops. The committee was pro-episcopalian and staffed by Junto placemen. It would simply cherry-pick the more palatable proposals. With the Triennial Bill only a week from being presented to the King, the intention of Pym and Hampden—both lying low during the Debate—was not to pursue root-and-branch, but to bury it. Having the previous month secured control of prerogative revenue for Parliament, it seemed the Junto had 'bartered away' their Scottish brethren for another element of royal power. Adamson sonorously concludes that 'perhaps not since King John had yielded to his barons at Runnymede had any English king conceded so large a diminution in his powers as sovereign'.

*The Noble Revolt* does not quite echo Trevelyan's fanciful claim that the trial of Strafford beginning in March 1641 was 'unsurpassed for historical and human interest in the political annals of any time or land'. Yet it gives a full three chapters to the affair, a 1,000-capacity public performance in Westminster Hall. As is his wont, Adamson pays the strictest attention to stage design—the novel inclusion of Commons-men in the court, seated atop the serried ranks of peers; Charles banished from his throne and half-hidden by a screen. 'Here was Leviathan', Adamson observes,

the state as the abstract composite of the many; a representative image of the 'Commonwealth', in which the King has become a constitutional non-person, represented by an empty chair.

We witness Strafford's consummate performance as his own defence counsel, Pym's shambolic turnout for the prosecution and finally, the 'virtuoso display of forensic oratory' by Oliver St John, Bedford's house counsel, which turned the trial against the accused. Adamson reckons this bravura appearance of St John 'one of the handful of political speeches from the 1640s which can genuinely be said to have changed the course of events'. It went directly against the wishes of his patron: Bedford was taken ill, and died within days, thus clearing the field for Junto hardliners. Adamson stresses how Charles himself brought doom upon Strafford through his abortive attempt to deliver the prisoner from the Tower, presaging a royalist crack-down. This was sufficient to convince the waverers:

executing Strafford came to be seen as a means of depriving the King of the one general who, if ever allowed to rejoin the army, possessed both the ruthlessness and the requisite popularity within the rank-and-file to lead it against the Parliament.

With King and Parliament at loggerheads, Adamson traces how both curried favour with the militarily important Scots. We follow Charles north to Edinburgh in August 1641, where his attempted arrest of Covenanter leaders—the infamous 'Incident' at Holyrood—abruptly ended a show of reconciliation which for a time had seriously worried English onlookers. Adamson interprets the puritanical temper at Westminster in these summer months as a compensatory effort to placate Argyll's men: the Commons ordinance against 'superstitious images and religious innovations' was not surging iconoclasm but rather 'politic piety'; renewed calls for root-and-branch merely 'a reassuring background hum of good pious intentions'.

*The Noble Revolt* here dedicates a chapter to 'counter-revolution and revolt', an apparent turning of the tide against the Junto. Uncertain of their Scottish allies, blamed at home for oligarchy, high taxes and puritanical disturbances, the Junto was also fearful for Ireland, in rebellion from October.

Adamson's three-kingdoms perspective here unusually throws up problems for the parliamentary barons, rather than for a Stuart monarch who was losing allegiance in each. But his focus soon returns to London. *The Noble Revolt* details how the Junto worked news of the Edinburgh putsch and Ulster uprising to their advantage, urging Parliament to wrest control of military appointments. Still their situation remained precarious: the upper chamber given over to the King's party, the lower rapidly heading the same way. With the Great Remonstrance, that populist *summa* of Caroline misrule issued in late November, the Junto played their last card. From here through to the Christmastide dénouement, contingency reigned.

Adamson in fact has little to say about Junto conspiracies in the concluding chapter. It is, rather, royalist missteps that pitch the two sides over the brink. Charles appears over-confident, after a curiously celebratory return to London organized by the sympathetic Lord Mayor which Adamson describes at some length. Yet again, the King's attempt on the Tower unnecessarily alarmed a citizenry in easy reach of its cannons: Charles had appointed to its command the Cavalier Thomas Lunsford—'abrasive, arrogant and with a reputation for violence'—a move Adamson judges 'tantamount to a declaration that the King was intent on the use of force against the Parliament'. The Attempt on the Five Members seemed confirmatory. According to Adamson, Charles had merely wished to disrupt parliamentary business until the arrival of absent royalist deputies; 'the project was far more concerned with obtaining a tactical advantage over the Junto leaders than with actually removing their heads.' But his plan to proceed constitutionally with the arrests of Junto personnel was overrun by an impulsive decision to descend on the Commons and attempt to seize the conspirators himself. Adamson agrees with Gardiner that Queen Henriette Marie was behind this fatal step, yet regards the former's account of the scene—'Go, you coward, and pull these rogues out by the ears'—as 'too colourful to be entirely true'. In the end, Adamson faults the King for failing to choose between coercion and conciliation, 'thus virtually guaranteeing the failure of both'. It is almost an identical verdict to Gardiner's on that 'double-minded man'. He closes with Charles's departure from a hostile capital on 10 January 1642.

The epilogue provides a rough comparison of *The Noble Revolt's* conclusions with those of the arch-revisionists. Whereas Russell thought Parliament reacted haphazardly to the deepening crisis, Adamson finds—at the very least—'a certain consistency of programme'. Contra John Morrill, he maintains that the conflict turned on constitutional not ecclesiastical disquiet: the Junto wanted political power before they set about any further reformation of religion, despite the evangelical bent of not a few of their number. Adamson exhausts his argumentativeness on this point, blandly conceding that the conflict was 'no mere barons' war'. For one thing, parliamentary rhetoric

was eclectic, drawing as much on the ancients—tyranny in Rome—as on the medieval escapades of De Montfort and his like. But the caveat comes rather late; a baron's war is precisely what *The Noble Revolt* conjures up. And although Adamson eschews any attempt to anticipate the next volume, there are indications that he will continue the baronial theme. In previous work he has cast the opening phase of the war, from 1642 to 1644, as a neo-feudal contest: essentially an aristocratic rebellion led by Essex, infused with chivalric codes, aimed at restoring the medieval great offices of state. Nor does lordly influence over the war effort entirely lapse with the military reforms of 1645. He thinks the Self-Denying Ordinance, removing MPs from their military commands, a ruse for envious peers to unseat the Captain-General—it did not prevent Warwick's recapture of the Admiralty. In Adamson's mind, the longevity of aristocratic command makes its abrupt termination in the revolutionary finale of 1648–49 'all the more shocking'. He may, of course, revise these opinions; already he considers that a prototype argument on 'the baronial context of the English Civil War', written in his twenties and presented to the Royal Historical Society in 1989, 'might well have been put with greater refinement'. But it fits this latest history well enough.

While Adamson largely restricts historiographic survey in *The Noble Revolt* to revisionist environs, his introduction to *The English Civil War: Conflict and Contexts* ventures further afield. Gardiner he finds prescient: the interrelated narratives of England, Scotland and Ireland, emphasis on religious controversy, and proper coverage of the King's party—themes obscured during the structuralist ascendancy, now happily regained. Weberian and Marxist devotees had wrongfully neglected apparently 'retrogressive elements' of conflict: the monarchy, the House of Lords and the Laudian Church. The distorting effect of theories of modernization, for which Gardiner shares some culpability, and the time wasted on attempts to correlate class to political opinion, were appropriate targets for revisionism—'a movement', says Adamson, 'born not of ideology, but of irritation.' True, the contemporary scene involves not simply the emancipation or reconfiguration of high politics. Adamson has also to take account of soaring interest in Stuart-era print culture. But he holds out the hope that it too will direct attention back to 'much neglected' London, the centre of publishing as of politicking. He thinks a new narrative synthesis just within reach. A brief independent reconnoitre will show this optimism misplaced.

The only recent comparable work to *The Noble Revolt* is Austin Woolrych's *Britain in Revolution* (2002), a well-crafted, single-volume history, mild in tone, its emphasis on parliamentary rumour and mistrust. But proximity in publication can be misleading: Woolrych produced *Britain in Revolution* in retirement; Adamson is a couple of generations younger. The latter cuts a perhaps deliberately anachronistic figure. His scholarly peers have generally

avoided direct competition with Russell, Morrill et al., and moved into other lines of production. Some claim simply to have tired of causation. Felicity Heal and Clive Holmes open their history of *The Gentry in England and Wales* (1994) with a promise not to volunteer 'yet another explanation for why the Civil War was fought'. Instead they treat 'the *experience* of being a gentleman or gentlewoman'.

In this area, cultural studies has since given way to a late-arriving linguistic turn, facilitated in part by the digitization and consequent easy availability of primary material. Aimed at demotic politics, it gives a cumulative impression of social disarray. Michael Braddick's *God's Fury, England's Fire* (2008) purports to 'capture the anxiety and trauma of civil war, the plurality of responses and the creative confusion to which it gave rise', peppering an otherwise fairly conventional narrative with extended quotations from contemporary tracts. Similar in inspiration, David Cressy's *England on Edge* (2006) investigates a mass distemper on the eve of war, which disappointingly boils down to 'a widely experienced fear or dread that dangers loomed and cataclysm was around the corner'. Yet its consequences are not at issue: Cressy urges more concern for 'how the English Revolution unfolded than what it led to'. He suggests its 'true significance' is to be found in 'processes and media and recovered conversations'. Observing that 'the chains of future connection are not always clear', Cressy is content to disregard the historical trajectory of English politics and the conflict's place within it. One must conclude that the English Civil War has fast become a postmodern redoubt; revisionism terminating in disinterest and disengagement.

This may not concern Adamson overly much, however. His work suggests a certain solidity of character, fixity of purpose. He has spent his entire career to date moving adroitly through the *ancien régime*, beginning with a doctoral thesis on 'The Peerage in Politics, 1645-49'. In the nineties he edited a collection on *The Princely Courts of Europe* in which he advocated their emancipation from 'absolutist teleology and partisan disdain', at the same time noting the tenacity of aristocratic courtiers in the gilt-edged palaces of overbearing kings. Like a good retainer, he keeps close to his subjects and handles their secrets astutely. There are matters on which this Oyster of the Old School will simply not open up.

One such issue is the surprising extent to which *The Noble Revolt* overlaps with Robert Brenner's class-based *Merchants and Revolution* (1993), in both *dramatis personae* and plot. Like Adamson, Brenner depicts an opposition 'headed by great aristocrats' and 'supported by colonial merchants in the Americas', their alliance greased by long mutual acquaintance in commercial ventures. Both observe that Warwick had unrivalled contacts among ship-owners and investors who ran a parallel campaign in the City and bolstered Parliament with populist reserves. There are differences, of course. Adamson

keeps the London radicals on a tight leash: he cannot prove how the Junto 'orchestrated' the crowd, but thinks the widespread suspicions to this effect 'raise a legitimate question whether there could have been quite so much smoke without fire'. He lays stress on puritanical fellow-feeling over citizen radicalism. Brenner, on the other hand, reaches further down into the mass layer, drawing out the economically grounded division between new merchants and their company counterparts who operated by royal licence in the East. In his view, Parliament was hard-pressed to contain the popular movement. Nevertheless, these are unexpectedly complementary narratives.

This is a delicate topic for Adamson. He cites *Merchants and Revolution* on one or two factual points, but is not minded to discuss the matter further. On the face of it, this combination of capitalist landholders and New World traders seems to have a straightforward economic rationale. The bloc comprised elements excluded from and ill-served by the restrictive commercial practices and pro-Spanish foreign policy of the Crown, encouraging a compact over-determined by evangelical affinity. Through Parliament it gained official sanction for its special interests—the West Indies scheme of 1641 is one example—and political reform to guard against royalist backsliding. Adamson, however, cannot concur. He substitutes for this stark class logic a bland, lone-standing idealism. The Junto were reacting to royal misrule; they sought 'a political order for the future that would be proofed against the follies and vagaries of kings', guided by hazy notions of a 'godly commonwealth'. Only occasionally does *The Noble Revolt* lend a practical bent to such high-mindedness, as when it notes that Bedford's urban development projects 'partly explain' his 'need to maintain at least working relations with the court'. Elsewhere, Adamson resorts to Puritanism both to understand Junto links to the City and the royalist reaction which those connections, by helping Warwick to raise up the multitude, to some degree provoked. The landed classes fractured over chaotically implemented iconoclasm, he avers, despite the downgrading of religious difference—'war of religion'—as an explanatory variable in his closing statement.

If Adamson were truer to his own account, not so ideologically disinclined or conceptually ill-equipped, he might consider the structural supports of his narrowly staged drama. It is astonishing that the unprecedented investment portfolios of the Junto magnates give Adamson no greater insight into their political behaviour than does their choice of apparel, for instance the courtly attire of the chameleon Bedford. Adamson is not unaware that his lordly dissidents were transforming their holdings at home simultaneous to expanding their commercial interests abroad. He has read Brenner, it seems, and thereby acquired some familiarity with his arguments concerning not only merchant politics in the City but capitalist transformation in the countryside, a process leaving an impoverished monarchy—pawning

its demesnes—out in the cold. Reduced dependence on court office and perquisite gave the landed classes an unambivalent hostility to arbitrary taxation and other forms of predation by prerogative. It left the Stuarts correspondingly under-resourced and error-prone as they sought to emulate their absolutist counterparts on the continent. Here are circumstances that must raise the question—for investigative completeness—of whether socio-economic reverberations opened the rift between King and Parliament and reduced the chances of its closure.

Obviously it is difficult to integrate such long-term trends into a close political narrative; in *Merchants and Revolution*, Brenner was obliged to attach an interpretative essay as a postscript to deal more adequately with these concerns. Recognition of their existence underlines the fact, obvious enough, that a narrative of events leading up to the English Civil War ought to begin earlier than 1640. Woolrych at least went back to 1625; Gardiner to 1603. Any comprehensive account would have to cover the test cases and petitions of the 1620s and 1630s—those ‘milestones’ in the constitutional crisis, as Stone described them—through which the landed classes collectively explored the boundaries of tolerable rule. These designs for the safeguarding of persons and possessions, scantily mentioned in *The Noble Revolt*, were later taken up by the Long Parliament. They suggest more widespread concerns among the propertied element than Adamson’s focus on a handful of parliamentary members, however influential, can convey. In fact Adamson is, in his own way, as guilty as Gardiner for overstating the role of his preferred protagonists. He reprimands his Victorian predecessor for making Pym ‘the author of actions in the absence of any direct evidence to justify the attribution’, yet does much the same favour for the Warwick House peers.

*The Noble Revolt* may provide a conservative-proofed updating of Gardiner’s Whiggish *History*. In good prose and with a decent turn of phrase, it veers between revenge tragedy and puritanical conspiracy in explaining the breakdown of 1642. Yet its depiction of the constitutional opposition as a combination of capitalist aristocrats and nascent bourgeoisie—the former in command—anticipates the political formation behind a great deal of future English history: the Navigation Acts, colonial expansion, commercial revolution, the Cabal. There is material here, inadvertently supplied, for a new social interpretation of the English Civil War, with a self-transformed landed class at its fore. Such a history would, of course, need a method of inserting class dynamics into a narrative of short-run intrigue. Brenner pointed the way. Adamson himself surely has no wish to follow, but it will be worth seeing what falls out of future instalments.

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Graham Turner, *The Credit Crunch: Housing Bubbles, Globalisation and the Worldwide Economic Crisis*

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232 pp, 978 0 7453 2810 2

R. TAGGART MURPHY

## BUBBLENOMICS

Economic cataclysms such as the Great Depression or today's ongoing collapse of global finance destroy commonly held understandings of political and economic reality. That is one reason why we call them cataclysms; such events occur precisely because no one with the power to do anything about them saw them coming. Icebergs spotted in time do not, after all, sink ships. But once the conventional wisdom has joined prosperity and confidence in the wreckage on the ocean floor of the global economy, we begin to hear of 'the' explanations for what happened. Such proclamations mark the times as surely as collapsed Ponzi schemes, falling governments, ruined banks and suicides among the former *nouveaux riches*. Thus, in the aftermath of the Depression, there emanated from various quarters announcements that the reasons for the catastrophe lay in policy errors by the Federal Reserve, in the Smoot-Hawley Tariff Acts, in stock trading on the margin, in vengeful treatment of Germany in the Versailles Treaty and so forth.

Similarly, the present-day plunge into the economic abyss has again brought forth a smörgåsbord of assertions about 'the' cause: mad scientists let loose in dealing rooms, squishy liberals dishing out mortgages to the coloured, inscrutable Chinese officials 'manipulating' their yuan, feckless American central bankers throwing the gasoline of low interest rates on a briskly burning fire of asset inflation, Robert Rubin and his cronies in the Clinton White House tearing up regulations, George W. Bush waging wars of choice while cutting taxes on the rich—the discriminating diner can pick and choose what best suits his or her ideological tastes and preconceptions.

In *The Credit Crunch: Housing Bubbles, Globalisation and the Worldwide Economic Crisis*, Graham Turner has placed on the buffet table his own

explanation for what has gone wrong, and it is a good deal more appetizing than many. Turner lays the blame for the current crisis squarely at the feet of the holy of holies of conventional economic orthodoxy: the 'unquenchable enthusiasm for raw free trade.' Given the near-total absence of any warning of the crisis from right-thinking academic economists, the distaste of the latter for such an account should provide no grounds for rejecting Turner's offering out of hand.

In 1817, David Ricardo set out the classic case for free trade: that a country can improve its economic well-being by channelling scarce capital into activities in which it enjoys a *comparative* advantage—that is to say, at which it is relatively more efficient. It then trades the resultant surplus for everything else it needs. The case says nothing about whether the territory in question enjoys a *competitive* advantage in such activities; i.e., whether it is more efficient than other countries in those activities. It simply states that the territory should specialize in what it does best. If every country follows a free-trade regime, trading what it is best at producing for goods which it makes less efficiently, economic output on both a national and a global level will rise. Yet simple as it may seem, the theory of comparative advantage is not immediately obvious. To this day it is often confused with competitive advantage—invariably so by advocates demanding protection for an industry facing cheaper or higher-quality foreign competition. They react like anyone else whose income is threatened by a given set of facts or chain of reasoning: by resolutely not seeing them.

Turner is not one of those. Nor is he advancing the argument common to economic nationalists—that a global regime in which each country uses static comparative advantage to determine its economic structure locks existing hierarchies of power and wealth among nations in place. (As the nationalists like to note, Japan's comparative advantage in the late 19th century lay in silk and pearls; that of the mid-1940s, in cocktail favours and cheap toys.) Turner instead neatly inverts the economic nationalist argument. It is not that rich countries use free trade to keep poor countries poor, but rather that the rich in rich countries use free trade to make themselves richer, while keeping their own poor poor and eviscerating the basis of middle-class prosperity: stable jobs at high wages. Ricardo was alert to concerns that under a universal free-trade regime, capital would migrate to lower-cost countries, thereby impoverishing English workers. He dismissed these fears, due to the 'difficulty with which capital moves from one country to another.' But of course we live in a vastly different world, where the telegraph, fax, computer and Boeing 747 have progressively eliminated the 'difficulty' that sheer distance had posed to the free movement of capital in the early 1800s. Over the last generation, policy-makers in Washington, London, Basel and Davos embarked on a crusade to dismantle another sort

of 'difficulty' hindering the free movement of capital: that posed by laws and regulations. Neo-classical economic doctrine gave this drive the imprimatur of Ricardian orthodoxy, but the real motive was to push down wages. 'Free trade today is no longer driven by comparative advantage', Turner writes, but rather by 'the ability to maximize profits by cutting costs'; elsewhere he notes that 'imports of cheap goods from low-cost countries have been fundamental to the downward pressure on wages for many workers'. Today, then, free trade has little to do with Ricardo's picture of the Portuguese using their comparative advantage in wine-making or the Scots in sheep-shearing to make better lives for themselves. Rather, it has enabled 'large multinationals to control and drive labour costs down . . . by moving jobs around from one country to another'. It is in this drive that we find 'the heart of the debt problems facing the West.'

Turner devotes much of his book to an elaboration of how free trade coupled with deregulated capital markets led to 'problems' that have, since he finished writing in the spring of 2008, become full-fledged economic cataclysms: What Turner calls a 'fundamental shift in the balance of power between capital and labour, or companies and workers' led via free trade and deregulation to 'concerted downward pressure on wages', to which the 'asset bubbles that are now bursting all across the industrialized West' are 'indelibly linked'. With the loss of high-paying, stable jobs, middle-class families managed to stave off for a time a downward lurch in living standards by reducing their savings while borrowing against their homes and equity portfolios. They could do so because the countries that were running trade surpluses with the West—the petroleum exporters; emerging markets such as China—were holding the proceeds of their surpluses in Western currencies, mostly the US dollar. By the very fact that they were denominated in such currencies, these surpluses were automatically re-invested in the West. Now it is a truism that too much money causes inflation. But the inflation that inevitably accompanied the rivers of money pouring back into the West from China, Kuwait and so forth did not find its way into goods and services. Free trade and the systematic transfer of production capacity to low-wage countries kept those prices from rising much.

Instead, the money was steered into markets for equities and real estate. It was this asset inflation that enabled the middle class temporarily to sidestep the consequences of the transfer of production capacity abroad, under a global regime of unrestricted free trade. Buffed-up stock portfolios seemed to give many families tacit permission to stop saving from current income; borrowings against the rising value of residences replaced the income lost when good jobs disappeared. Meanwhile, those rising values both induced working people to buy houses they could not afford and encouraged bankers to extend the debt that made the purchases possible. Western governments

were loath to step in to break up the party. They kept corporate interests happy by zealously hunting down and eliminating the last remaining barriers to the 'free movement of goods and capital', while treating asset bubbles with benign neglect. By ignoring the bubbles, they ensured that the debt seen as a 'panacea' for falling wages would soar. But bubbles by their very nature blow up. Their defining feature is the divorce of prices from the cash flow the asset can conceivably generate: the dividends from a share of stock; the rents from a house or office building. Prices nonetheless continue to climb because practically everyone has convinced him or herself that the assets' value can only go up, and because lots of money is chasing too few assets. Players enter the market precisely because they can raise the money. But at some point the money dries up—perhaps central banks tighten rates, private banks get cold feet, or, as in the summer of 2007, 'private investors turned against US assets with a vengeance'. They can no longer be sold to a 'greater fool' since said fool can no longer find the money to buy them. The asset prices tumble; the bubble bursts, leaving ruin in its wake.

Turner offers the standard recommendation for what policy makers need to do once asset bubbles burst: cut interest rates fast in order to get money flowing again. This of course is the usual therapy for dealing with impending recessions; only out on the lunatic fringe today can one find exhortations to keep money tight in a slumping economy in order to 'purge the rottenness', as Andrew Mellon, Herbert Hoover's Treasury Secretary, once sweetly urged. Turner warns, however, that the Federal Reserve 'took far too long . . . to swing into action'. Elsewhere he observes that 'when housing markets begin to deflate, the timing of rate cuts is critical. Leave it too late and the slide in property values can render rate cuts increasingly ineffective'. Turner concludes that 'only time will tell whether the Federal Reserve, the Bank of England and the European Central Bank can prevent Keynesian liquidity traps taking root. The omens are not encouraging.'

They certainly are not, and the world seems to have landed precisely where Turner feared we were headed when he was writing his book. Once in a liquidity trap, monetary policy becomes useless; no matter how low interest rates are cut (and, as Turner notes, they cannot be cut below zero), no matter how much money the central bank 'prints'—i.e. tries to force into the banking system—banks will not lend, businesses will not borrow and households will not spend. They are all scared; they all hoard cash. Turner does not offer much in the way of specific advice for what policy makers should do once they find themselves stuck in a liquidity trap, other than urging measures to 'prevent debt deflation from taking root', which is begging the question, and issuing calls for a 'more equitable balance of power between capital and labour', which he concedes will be 'no small task'. Instead, he devotes a chapter to discussing what he calls the 'credit bubbles across a

wide swathe of developing countries' that are the 'flip side' of the recent housing slump in the West.

Turner maintains that 'the strong economic growth' around the world in recent years was not 'fuelled by free trade, but by rapid credit growth, with bubbles appearing across every continent.' Their source, again, lay in the 'determination of companies to cut labour costs'; it was this that 'underpinned excessive capital inflows, which have proved difficult for central banks . . . to manage.' Indeed, 'Eastern Europe has been consumed by a grotesque credit bubble.' Meanwhile, in Asia, a first round of bubbles burst in 1997 with the so-called Asian Financial Crisis. But the lessons learned in its wake—build up a thick wall of international reserves (mostly dollars) as a defence against future speculative attacks on the local currency or sudden withdrawals of capital—were the wrong ones, he says. Those reserves went to fuel such asset bubbles as the US housing market, which have now burst, leaving these countries 'more vulnerable to events in the West'. Turner does not, however, hold them ultimately responsible. 'It was wrong . . . of the Federal Reserve to shift the blame for housing bubbles in the West on to governments of so-called developing economies. Their "excess savings" were driven *a priori* by capital flows in search of cheaper labour, a policy which governments of the West sanctioned and enthusiastically promoted.'

According to his publishers, Turner spent 'the 1990s working for Japanese banks'. He thus presumably lived through the sheer agony of trying to shake free of the liquidity trap Japan seemed to have fallen into in the early part of the decade. His experience lends an extra urgency to his call to do whatever is necessary to avoid it in the US and Britain—a call that, alas, now appears too late. He obviously believes that the pain Japan endured need not have happened; indeed he states quite bluntly that 'deflation could have been avoided'. Turner blames specific policy errors by the Japanese authorities. Since what Japan went through is at least superficially similar to recent events in the US and UK—a housing bubble followed by tumbling asset prices and collapsing financial institutions—Turner maintains that those policy errors should be identified and given the closest study.

Above all, Turner points his finger at the Bank of Japan. Determined to halt the 'astonishing' rise in Japanese asset prices in the late 1980s, the BOJ 'misread the early warning signs' that housing prices were already set to fall. Instead, it 'started raising interest rates far too late into the boom.' A new BOJ governor appointed in December 1989 'refused to accept that Japan was on the verge of a credit squeeze'. The BOJ 'dithered' until 1995 when it 'relented', but by that point it had 'lost the chance to secure a meaningful fall in real borrowing costs'. BOJ mistakes were compounded by government policy, Turner contends, most particularly by Ministry of Finance attempts to 'cajole' banks to raise lending margins and sell their non-performing

loans. This drove many companies into bankruptcy and forced collateral sales into an already plunging market that led to a 'precipitous' collapse in property prices. Ultimately, though, the 'failure to recognize the significance of the money-supply numbers was arguably the single biggest policy blunder committed by the Japanese authorities during the first year of the crash.' Turner is referring to the BOJ's seeming refusal to appreciate what was happening in 1990—that the money supply had begun to plummet and that interest rates needed to be cut, and cut fast. Broadly speaking, this is the same mistake Milton Friedman and the monetarists accuse the Federal Reserve of making in 1931, and that Turner maintains Ben Bernanke made last year: not acting quickly enough in the wake of the collapse of an asset bubble.

It is curious that a book that starts out blaming the current catastrophe on the 'unquenchable enthusiasm' for free trade and the 'fundamental shift in the balance of power between capital and labour' essentially ends up alongside Turner's ideological opponents in the monetarist camp. Turner would perhaps respond that the question of how we got ourselves into this jam and the matter of what we do once we are in it are two different issues, which seems fair enough. If the car is in the ditch, even the lousy driver who put it there might have an idea worth listening to on how to get it out. But Turner may have missed an opportunity in this book to draw broader lessons than the proper response of central bankers to sudden contractions of credit in the wake of bursting bubbles. For Japan's experience in the 1990s actually points directly to the flaws in the very architecture of the world's political and economic framework that brought on the catastrophe. Getting a grip on that, however, requires an ability to see political realities and power relations in a multifaceted, three-dimensional way. Alas, the lamentable divorce of economics from politics and the narrow, technical training economists receive today almost guarantees that their wider vision will be blurred. Turner is clearly an experienced economist, and he makes a convincing case that today's crisis is bound up with the assault, over the past three decades, on the institutions in the US and UK that had once provided for the economic security of the middle class. But he might also have used the example of Japan, and perhaps explains why he failed to use Japan to strengthen the fundamentals of what seems to be his argument: that what we are going through today is a systemic political crisis dressed up in financial clothing.

Two cases in point: first, Turner seems to believe that the BOJ is fundamentally a free agent. Although he would no doubt concede that no central banker anywhere is wholly immune to political pressure, the BOJ does not enjoy anything like the *de facto* autonomy of the Federal Reserve, not to mention that of the Bank of England. Even since the passage in 1998 of a law that

provides for the *de jure* independence of the BOJ, the Ministry of Finance—the most powerful of Japan's bureaucratic fiefdoms—continues to control the BOJ's budget. The laws that ostensibly govern the Ministry of Finance and the Financial Supervisory Agency contain clauses that directly contradict any assertion of the BOJ's autonomy. There was certainly no question of it at the time of the policy steps Turner describes. Second, Turner does not seem to understand that there really is no Japanese bond market independent of financial institutions licensed and controlled by the Ministry of Finance, the BOJ and the Financial Supervisory Agency. Bonds in Japan are not, for the most part, purchased by end-investors but by financial intermediaries, meaning that open-market operations of the type used by the Federal Reserve to push money into the economy do not work in Japan—they simply end up bloating the balance sheets of financial institutions.

If it is any comfort, Turner's mistake is shared by such economists as Paul Krugman and Adam Posen, who both called for explicit inflation targeting by Japan's authorities to pull the country out of the liquidity trap. They did not realize that the BOJ has few tools to force money into the economy outside the banking system. Turner asserts, in discussing the early 1990s, that 'bondholders were even slower to respond' to the onset of deflation than the BOJ; that 'had bond yields fallen in line with short-term rates, deflation could have been averted. Japan would never have slipped into a liquidity trap.' But that steeply upward-sloping yield curve was deliberately engineered as part of the attempt Turner describes to bail out banks by raising lending margins; it was not a matter of short-sighted bond investors, in the grip of 'money illusion or liquidity preference', failing to grasp economic realities. These 'investors' were marching to the tune played by the authorities.

This is not to suggest that the policy errors of the 1990s were not in fact errors—interest rates were indeed raised too late in the 1980s boom, and they were not cut quickly enough after asset prices began to tumble. But the picture Turner paints of a policy elite considering a range of tools, and then picking one as opposed to another, is fundamentally flawed; as is his implicit view that there is a private financial sector in Japan overseen by a public sector of disinterested regulators. Banks and other financial institutions in Japan have—at least since 1927, when the Ministry of Finance consolidated its control over the Japanese financial system—functioned as instruments of bureaucratic policy, not as profit-seeking entities on the Western model. That does not mean there has been no discord—Japanese finance has been riven by conflict, and it became very severe in the wake of the collapse of the late 1980s bubble. But it is not the conflict of greedy cowboy bankers trying to pull wool over the dim eyes of regulators, or even the capture of the American regulatory apparatus by private interests that James Galbraith

describes so brilliantly in *The Predator State*. It is the internal conflict of a bureaucratic polity concerned above all with its own survival and ability to achieve pre-determined outcomes.

Understanding policy-making in Japan starts by grasping the central theme of the country's modern history: the right to rule. The absence of any institutionalized means of resolving the matter opened the way to the seizure of power in the 1930s by those with the means of physical coercion at their disposal. The ruin to which they drove themselves and their country led to an American Occupation that in some fundamental ways has never really ended. Japan's policy elite was emasculated by a United States that assumed for Japan those elements by which a state can be most easily identified: security arrangements and the conduct of foreign relations. A truncated remainder of the pre-war elite—the great economic bureaucracies and the cluster of nominally private-sector institutions around them—was left essentially free of any check on its power to undertake the restructuring and reordering of the economy. But it always acted as if its survival and independence hinged upon the preservation of the political and economic arrangements that had been set in place by the Occupation. Because those arrangements were locked into and contingent upon a US-centred global financial and political architecture, the actions taken to preserve them ended up supporting that architecture.

Turner traces the beginnings of today's catastrophe to the elections of Reagan and Thatcher, writing that 'clamping down on wages was central to Reaganomics and Thatcherism'. But it was Japan's response to events earlier in the 1970s that created the financial circumstances that made possible the 'Reagan Revolution' of tax cuts and high defence spending, at a time of draconian anti-inflationary monetary policy in the US. And what Japan did to enable the Reagan Revolution was in turn rooted in the bureaucratic imperative to preserve existing arrangements. To see this, we have to go back to the 1940s and the laying of the foundations of the postwar economic and financial framework. This took place in a context in which fear of working-class power was a far more significant factor than it was to be for Thatcher or Reagan. The US government worried that the end of the war would bring about the return of the Great Depression. Moreover, beginning with the Soviet takeover of Eastern Europe, a string of Communist successes culminating in the 1949 Chinese revolution convinced US power holders that they faced an existential threat from a messianic, monolithic Communism. These fears gave men such as Keynes and George Marshall the political space to design and implement a global economic and political framework that would harness the overwhelming relative American economic power of the time in the service of worldwide growth. The formal financial part of that framework, known as Bretton Woods, placed the US dollar at the



centre of the global financial order, and linked to it the currencies of all other participating countries.

Turner is wrong when he writes that 'there were inherent adjustments within the [Bretton Woods] system, to prevent countries running large and persistent trade deficits and surpluses', that 'the system was symmetrical', and that 'pressure to take corrective action applied equally to countries, whether they were in deficit or surplus'. To be sure, that was Keynes's initial vision: a formal set of arrangements that would require surplus countries—which meant at the time the United States—to take proactive measures to reduce their surpluses by stimulating their economies. But Keynes was overruled by the American delegation. The framework that emerged thus had no formal sanctions against surplus countries, which was to prove its undoing when the United States slipped into deficit and Japan emerged as the pre-eminent surplus country.

The central flaw in the system was visible almost immediately. Other countries needed to obtain supplies of the US dollars that Bretton Woods had enthroned as the world's money. But this required American balance-of-payments deficits that would ultimately weaken confidence in the dollar. Although the US had balked at Keynes's notions of institutionalizing pro-growth requirements on countries running external surpluses, Washington ended up doing what he wanted anyway: running a pro-growth economy that produced a dollar outflow. In the first decades after the war, these flows primarily took the form of such transfers as the Marshall Plan, aid to Occupied Japan, and military spending on a global network of bases and the Korean and Vietnam Wars. From the mid-1960s, however, the outflow migrated to the trade accounts when the US began running systemic trade deficits.

Meanwhile, Japan took advantage of the economic ecology of the era to construct an economy run on mercantilist lines, complete with trade protectionism and draconian capital controls. The demands of the time for reconstruction were so obvious that implementation of whatever seemed to work required no political discussion or theoretical justification. Japan's truncated policy elite reoriented the institutional mechanisms they had used to direct scarce financing to munitions makers during the war years to ensure that promising export industries had priority access to funds. The objective was to accumulate sufficient dollars to pay for essential imports of commodities and capital equipment. Washington had no objection and indeed encouraged what Japan was doing; no one on either side of the Pacific at the time believed that the country posed any long-term threat to American manufacturing or technological supremacy. The US market was open to Japan without any reciprocal obligation—apart from unrestricted access for the US military to bases strung throughout the length of the Japanese archipelago, lip-service in support of American foreign policy, and keeping leftists away

from the levers of power (a 'threat' that Japan's power holders exaggerated to Washington when their economic methods began to cause political problems in the US).

Japan succeeded beyond anyone's expectations, racking up growth rates between 1955 and 1969 that were higher than any previously achieved in human history. But because Japan's economic methods involved the systemic suppression of domestic demand and the deliberate channelling of financing into internationally competitive export industries, the inevitable result was a string of trade surpluses that began to alter the global economic ecology in which Japan had thrived. Specifically, it exposed the flaw at the heart of Bretton Woods—that there was no way to force surplus countries to make adjustments. By the late 1960s, the US had become the world's leading deficit country. Unwilling to take the necessary measures to reduce the US deficit—slowing down the economy and accepting lower living standards—and unable to persuade Japan to permit the yen to rise and thereby ease the strains on the Bretton Woods system, Nixon allowed it to collapse.

In the wake of its demise, however, which shocked Tokyo's policy elite, the Japanese authorities began to implement policies designed to recreate its certainties: a dollar-centred global order and an undervalued yen that would permit Japan to continue to run an export-led economy. There was little overt debate; indeed the Ministry of Finance actually went so far as to suppress discussion in the financial press of the possible virtues of allowing the yen to rise. To any student of the country's political history in the 20th century, the reason was obvious: a fear of the disorder that would come from the economic and political shifts necessarily accompanying a restructuring of the economy to put domestic demand instead of exports into the driver's seat. Instead, Japan accumulated dollars. Among other things, it was those dollars that permitted the Reagan administration to finance an explosion in US government deficits without paying any political or financial price. When those dollars reached the point where they began to have serious effects on Japan's ability to conduct monetary policy, the authorities began deliberately to foster the growth of asset bubbles to counteract the dollar build-up.

After the bursting of the latest and largest of these bubbles, Japan's policy makers partly lost control of economic events. The key point, however, is that the beginning of today's crumbling of the global economic and financial order lay not in the wave of investment from the West in search of low-cost production, as Turner would have it, but farther back, in Japan's efforts to recreate the certainties of Bretton Woods. This is not only because to this day Japan is the world's largest holder of dollars outside the United States—add Japan's dollar holdings in nominally private hands to its official holdings and the total is still twice the size of China's—but because the lesson that the rest of Asia took from Japan's example, as a country that had risen from

absolute poverty and devastation to the front rank of the world's industrial powers in less than 25 years, was to keep your currency cheap, structure your economy to generate exports, and pile up dollars to protect yourself from balance-of-payments crises. To be sure, countries such as China and Thailand (although not South Korea) deviated from the Japanese model in one crucial way: they opened themselves up to direct foreign investment. And of course Turner is absolutely right that most of that investment was driven by Western corporations seeking to lower wage costs. But that was an opportunistic response to the conditions created by Japan's success in the 1970s in repairing the international economic and financial order that had emerged from the Second World War.

The current economic cataclysm has, however, destroyed that order and it cannot be repaired a second time. This is probably the way in which today's events most closely resemble the Great Depression. In *The World in Depression* (1986), the late Charles Kindleberger wrote that the origins of the Depression were 'complex and international', and that it was 'so wide, so deep and so long because the international economic system was rendered unstable by British inability and US unwillingness to assume responsibility for stabilizing it.' Similarly, the US today is manifestly unable any longer to stabilize the global economy and no other entity—whether China, Japan or the EU—has either the ability or willingness to take over the job on its own. The system has worked after a fashion for the last forty years because first Japan, and then China and the other 'tiger' economies of Asia, recycled the earnings from their exports into the US economy and left them there. They did so for the most fundamental of political reasons: fear of domestic disorder. China needed millions of jobs for young people; Japan sought to postpone the political upheavals that restructuring would inevitably involve. But these reasons for piling up dollars no longer exist. With a ruined financial system and an economy in free-fall, the US cannot turn these dollars into demand for Chinese and Japanese goods. This is why the omens out of Asia today are as dark as those emanating from the US.

Occasional shafts of light can be glimpsed in the otherwise unrelieved gloom. Turner's indictment of the role of corporate interests, scouring the planet for the cheapest labour costs, may now receive a wider and more sympathetic hearing. One very much hopes that he is right when he asserts that 'a more equitable balance of power between capital and labour will have to emerge' if the world is to enjoy the real benefits of trade. The current crisis may give governments the political space to address other crucial challenges that Turner mentions, such as peak oil and global warming. Alas, the dead weight of conventional wisdom is so overwhelming that even leaders with the best intentions do not really know what to do other than fall back on formulae—stimuli, bailouts, interest rate and tax cuts. The need for a new

global economic and financial architecture is obvious. But in order to lay the conceptual foundation, the world awaits a new Marx or Keynes—someone who understands power, who understands institutions, who understands that there is no such thing as a value-free ‘science’ of economics and can help get us beyond the fantasy of a technical fix for the mess we are in.

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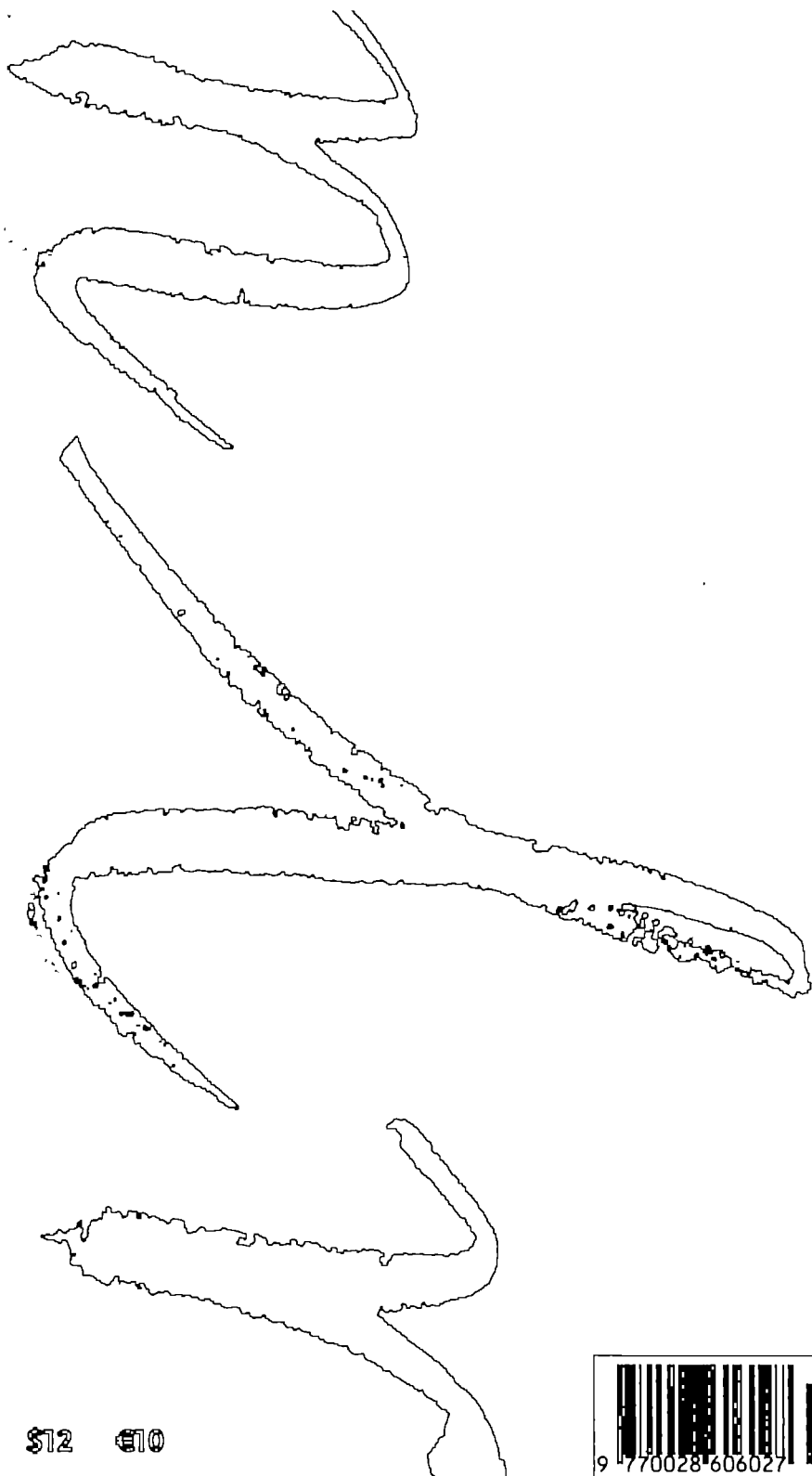
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